
HOW CAN GOVERNMENTS REGULATE THE VCM?

Governments can engage with carbon markets in a variety of ways for example as regulators, activity proponents, or facilitators. Their responsibilities include designing appropriate regulations that ensure that carbon projects align with national strategies and adhere to environmental and social safeguards. Public agencies can also directly implement or finance programmes, projects and activities and create incentives that attract carbon investments for priority sectors.

Since the beginning of the Paris Agreement era, voluntary carbon markets (VCM) are increasingly intersecting with Article 6¹. Some carbon crediting programmes including in the VCM are striving to issue carbon credits that can be authorised as ITMOs under Article 6, alongside carbon credits that do not seek authorisation. Emerging guidance on the responsible use of carbon credits is often calling for the alignment between the VCM and Article 6, specifically regarding the rules for avoiding double counting. To be able to get a host country authorisation, VCM standards are aligning their requirements with those of Article 6. Nevertheless, host countries that are authorising ITMOs from VCM activities need to carefully check that activities are compliant with international and national Article 6 rules. In addition, host countries may wish to address VCM activities that do not seek authorisation when developing a carbon market framework, e.g. by requiring registration. There are different ways in which VCM activities can be addressed in the context of Article 6 readiness and implementation.

¹ Ahonen, Hanna-Mari; Inclan, Carolina; Kessler, Juliana; Singh, Aayushi (2023): [Raising climate ambition with carbon credits](#)



Growing convergence between VCM and Article 6

Since 2024–2025, the operationalisation of the Paris Agreement Crediting Mechanism (PACM, Article 6.4) and the increasing issuance of authorised ITMOs from voluntary market activities have accelerated convergence between VCM and compliance frameworks.

Key developments include:

- Adoption of Article 6.4 rules on removals, reversals, safeguards and grievance mechanisms (2024).
- Launch of the International Registry and Additional Registry Services (ARS) to operationalise tracking under Article 6.
- Increased host country issuance of Letters of Authorisation (LoAs) for VCM activities.
- Emergence of integrity benchmarks such as the ICVCM's Core Carbon Principles (CCPs) influencing both voluntary and compliance markets.

The distinction between “voluntary” and “compliance” markets is therefore increasingly blurred. Governments now need to regulate VCM activities not only for domestic integrity, but also to ensure coherence with Article 6 accounting, NDC implementation, and international transparency requirements.

Overview of carbon credit use cases

As the VCM increasingly interacts with Article 6, the distinction between compliance and voluntary carbon markets becomes less clear. Depending on whether or not they are authorised under Article 6, carbon credits become eligible for various use cases.

Carbon credits today fall broadly into three categories:

1. Authorised ITMOs (with corresponding adjustments)

- Eligible for international compliance
- Eligible for voluntary offsetting claims
- Must avoid double counting

2. Non-authorised credits (no corresponding adjustment)

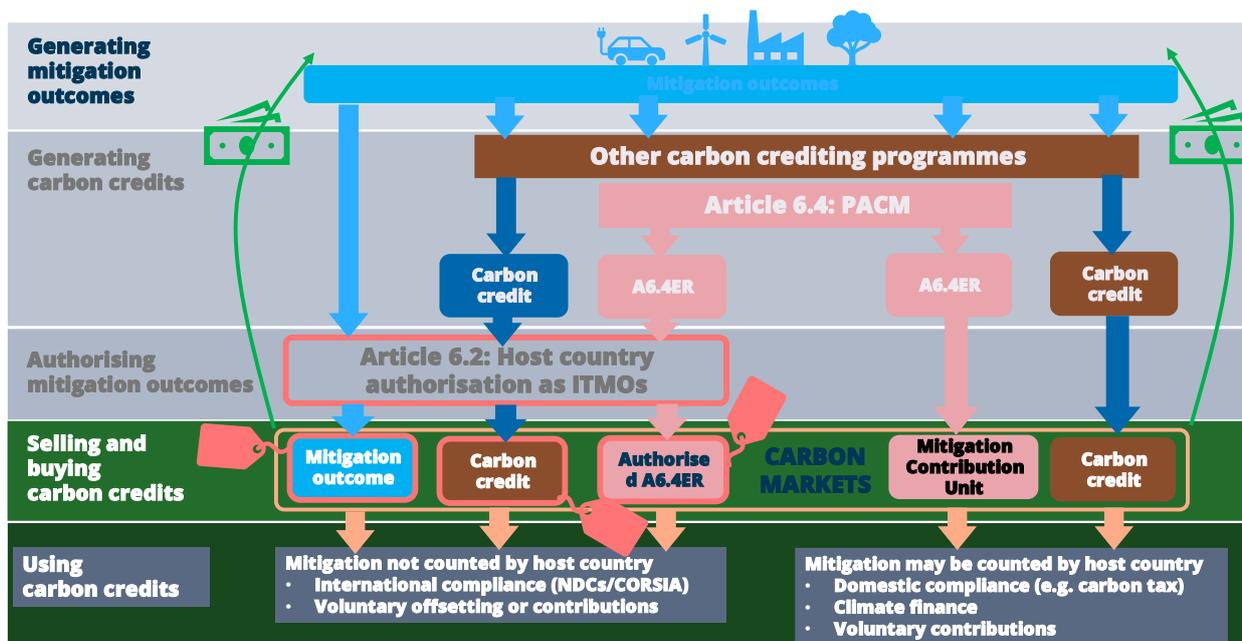
- Can be used for voluntary contribution claims
- Can support domestic compliance (if reflected in national inventory)

3. Article 6.4 (PACM) credits (A6.4ERs)

- May be authorised as ITMOs (AERs) or remain non-authorised (MCUs)
- Subject to new safeguards, permanence and methodology rules (2024 updates)

Figure 1 illustrates that carbon credits generated within the VCM by carbon crediting standards or within the PACM without authorisation (*i.e.* MCUs) can be used to support host countries in reaching their NDC target. Authorised credits (*i.e.*, AERs, ITMOs), on the other hand, are suitable for (international) compliance purposes or a voluntary use for ambition-raising and overall mitigation in global emissions. Consequently, only authorised credits associated with corresponding adjustments to prevent double claiming, can raise ambition and are eligible for offsetting claims.

Figure 1: Carbon credit generation and use



Source: Perspectives Climate Research and GHG Management Institute (2025)

In both the VCM and Article 6, continuous efforts are underway to uphold the integrity of carbon credits and their responsible usage. Nevertheless, some form of convergence between voluntary carbon markets and the requirements of Article 6 does not automatically lead to an improvement in the quality and integrity of carbon credits.

However, host countries can actively participate and establish requirements to increase the quality and integrity of the use of voluntary carbon credits use. Given the absence of a singular authority overseeing the VCM and the potential variation in quality criteria among different carbon crediting programmes, host countries should prioritise the establishment of requirements that foster high quality and integrity, while buyers can insist on acquiring high-quality credits only. Article 6 can thus provide international frameworks and benchmarks also for the VCM.



National carbon market framework design

When developing a **national carbon market or Article 6 framework**, countries have the opportunity to stipulate for stringent, specific or more comprehensive requirements for VCM activities to ensure a high quality of credits. An integrated national carbon market strategy should outline the prerequisites for obtaining authorisation, including for VCM activities. Additionally, the national framework should define attributes for all carbon credits, distinguish between different eligible use cases, and specify the attributes for each use cases. It is advisable for countries, when establishing a national framework, not to grant "blanket" authorisation for issuing ITMOs for specific crediting standards. Instead, they are encouraged to make case-by-case decisions aligned with the national interests of the host country.

When developing a national carbon market or Article 6 framework, countries now typically include:

- Clear procedures for authorisation of ITMOs
- Rules for corresponding adjustments
- Registration requirements for all VCM activities (authorised or not)
- Safeguards aligned with Article 6.4 Sustainable Development Tool
- Transparency provisions for tracking mitigation outcomes

Many countries are moving away from "blanket authorisation" of entire standards and instead apply:

- Project-by-project approval
- Strategic sector prioritisation
- Limits on authorisation volumes to safeguard NDC achievement

For an example, refer to the treatment of the VCM in [Nigeria's carbon market framework](#) (p. 24) or the procedure in the [Ghana Carbon Market framework](#).

Various ways governments can orient voluntary carbon market activities

Governments are increasingly:

- Establishing carbon market offices (CMO) or designated authorities
- Developing national carbon registries interoperable with the UNFCCC registry
- Issuing detailed guidance on VCM and ITMO eligibility
- Integrating VCM regulation into broader climate finance strategies
- Requiring transparency on whether credits contribute to national NDCs

The checklist below presents a non-exhaustive set of options for governments to engage with and guide VCM activities.

Checklist 1: Various ways governments can orient voluntary carbon market activities

Regulatory / Policy option for host countries	Description reflecting carbon market developments	Status (Implemented / In progress / Planned / Not planned)
<u>1. Establish a Legal and Institutional Framework</u>	Develop legislation or formal policy frameworks governing VCM and Article 6 participation, including designation of a national authority (DNA/Article 6 focal point) and carbon market office.	
<u>2. Develop a National Carbon Market Framework aligned with Article 6</u>	Define procedures for project approval, Letters of Authorisation (LoAs), corresponding adjustments, ITMO tracking, and interaction with PACM (Article 6.4).	
<u>3. Define Eligibility Criteria (Positive/Negative Lists)</u>	Establish sectoral priority lists (white lists) and ineligible activity lists (red lists) for Article 6, and define how VCM activities seeking authorisation are treated. Clarify expectations regarding additionality and ensure strategic alignment with the NDC and long-term strategy (LTS).	
<u>4. Define Standards and Minimum Integrity Requirements:</u>	Set clear standards, guidelines, and requirements for voluntary carbon projects; set minimum criteria for additionality, permanence, leakage, safeguards, MRV, and transparency. Reference recognised benchmarks (ICVCM CCPs, PACM rules, ISO, etc.).	
<u>5. Authorisation Policy for ITMOs</u>	Define whether authorisation is granted project-by-project or programme-wide; determine limits on volumes; specify whether authorisation is for compliance, voluntary offsetting, or other purposes.	
<u>6. Accreditation and Certification</u>	Define the role accreditation bodies or certification schemes to verify the legitimacy and quality of carbon projects, ensuring they meet predefined standards and requirements.	



7. Registry and Tracking System	Establish or connect to a national carbon registry interoperable with the UNFCCC International Registry/ARS; ensure tracking of authorised and non-authorised credits.	
8. Transparency and Disclosure Requirements	Require public disclosure of project documentation, methodologies, mitigation volumes, use of proceeds, and whether credits are counted toward NDCs.	
8. Safeguards and Grievance Mechanisms	Implement relevant national environmental and social safeguards for VCM projects (<i>Recommendation</i> : can use the Article 6.4 Sustainable Development Tool as reference); establish grievance redress mechanisms.	
9. Monitoring and Enforcement	Implement monitoring mechanisms to oversee compliance with regulatory requirements and enforce penalties or sanctions for non-compliance or fraudulent VCM activities.	
11. Share of Proceeds / Levies	Establish fee structures or benefit-sharing mechanisms for authorised ITMOs; allocate revenues to climate action or adaptation funds. In some countries, VCM activities can be subject to carbon market fees if they seek recognition, registration, or authorisation under a national framework—even though they remain voluntary in nature.	
12. Stakeholder Engagement	Ensure participation of local communities, Indigenous Peoples, and private sector actors; establish benefit-sharing rules. Engage with stakeholders, including government agencies, industry representatives, environmental organisations, and local communities, to gather input, address concerns, and ensure regulatory measures are effective and inclusive.	
13. Promote Market Integrity and prevent double counting	Define procedures for applying corresponding adjustments and ensuring inventory consistency; clarify treatment of non-authorised credits.	
14. Continuous Review and Adaptive Governance	Conduct regular reviews and evaluations of regulatory frameworks and market performance to identify areas for improvement and adapt regulations to evolving market dynamics and emerging challenges.	

Safeguarding the integrity of carbon credits and their use requires continuous improvements, and continued interplay between VCM good practices, regulation and the operationalisation of Article 6 cooperation. Beyond governments, carbon market regulators, activity developers, carbon credit buyers and other stakeholders all have a role in promoting a race to the top and innovating solutions that foster high integrity.

With the operationalisation of PACM, stronger integrity initiatives (ICVCM, VCMI, CCQI), and growing issuance of authorised ITMOs, governments now play an even more critical role in ensuring that voluntary carbon markets:

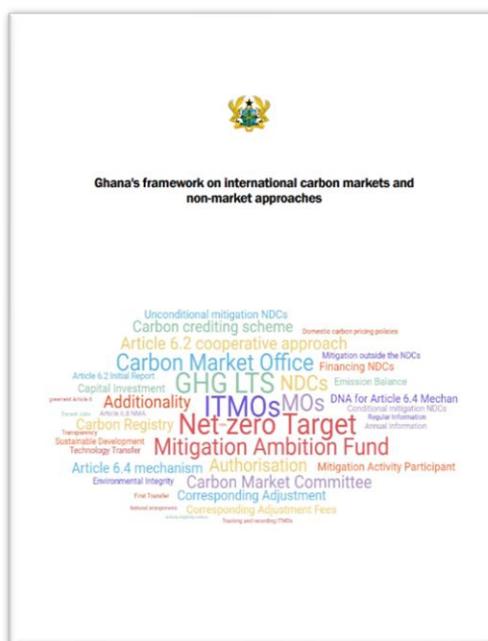
- Support national climate ambition
- Avoid double counting
- Maintain environmental and social safeguards
- Contribute to long-term decarbonisation

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Case study: How does Ghana seek to regulate VCM activities?

In the [Ghana Carbon Market Framework](#), VCM activities are considered and require approval and registration, regardless of whether activity developers seek authorisation or not. All entities, including activity developers, must register with the Ghana Carbon Market Office and obtain a letter of identification upon application approval. While the framework mandates formal recognition for generating carbon offset credits for domestic voluntary uses, it does not impose authorisation and tracking requirements. For other mitigation purposes, VCM projects do need corresponding adjustments, as agreed by the participating Parties (GCMF 2022, p. 58). Consequently, the framework does not differentiate between compliance and voluntary use of the credits, but rather sets requirements under the different market segments, such as VCM or Article 6.

Ghana's Framework incorporates a **white list** of mitigation activities automatically deemed additional and approving many of the existing VCM crediting programmes/standards without defining further requirements. Additionally, the framework features a red list of activities that are not considered eligible, namely those included in Ghana's the unconditional mitigation action programmes as outlined in NDC. To authorise and issue ITMOs, Ghana is required to the environmental integrity of the ITMO through a review of the verification report issued by an auditing body accredited by the voluntary market scheme used by the project proponent. The approval and registration of VCM activities necessitates payment of various fees, including these for approving methodologies, standards and guidelines, for administrative processes and corresponding adjustments, an entry application and listing.



Source: [CMO \(2022\)](#)