Growing Asia's Markets

18 July 2025

To
National Climate Change Secretariat
100 High Street
The Treasury
Singapore 179434

Re: ASIFMA Response to NCCS, MTI and EnterpriseSG draft voluntary carbon market (VCM) guidance

Dear Sir, Madam(s),

The Asia Securities Industry and Financial Markets Association ("ASIFMA"),[1] on behalf of its members, appreciates the opportunity to provide feedback on the Draft Voluntary Carbon Markets Guidance released by the National Climate Change Secretariat ("NCCS"), Ministry of Trade and Industry ("MTI"), and EnterpriseSG.

Voluntary carbon markets are gaining traction from financial institutions, including ASIFMA's members, to engage in and support the operationalisation and scaling of the voluntary carbon markets. ASIFMA is keen to collaborate with the NCCS, MTI, and EnterpriseSG to ensure that these guidelines are both practical and advantageous for the industry. We recommend continuous engagement with players in the carbon markets ecosystem to provide more detailed guidance and offer resources for capacity building. This brings much-needed clarity on how carbon credits can fit into corporate decarbonisation roadmaps in a practical manner. Overall, ASIFMA members support the adoption and implementation of the guidance.

To that end, we have provided detailed comments across the various sections in the draft VCM guidance, in the Annex below.

To help frame the more detailed feedback below, we would like to highlight three important points of principle at the outset, all of which feature prominently throughout and have helped shape this response:

- First, ASIFMA members support the government's position on encouraging companies' participation in well-functioning carbon markets, and the use of high-quality carbon credits as part of a credible decarbonisation plan. Members also support the view that carbon credits are necessary to meet global net zero objectives, acknowledging residual emissions will remain even after deep decarbonisation and carbon markets can help channel finance to mitigation efforts. Carbon credits are particularly useful in sectors where decarbonisation technologies and solutions are still developing or are economically unviable, such as transport and cement.

- Second, the guidance on decarbonisation is clear but may oversimplify the process. More detailed guidance and capacity building are needed for effective market implementation. Clear guidance and capacity building would help companies to operationalise the use of carbon credits in their decarbonisation actions.
- Third, while we support aligning IFRS Sustainability Disclosure Standards with those of listed and large non-listed companies, we recognise that the detailed disclosure requirements might pose challenges for other companies. Thus, some of our members suggest adopting a high-level, principle-based approach to disclosure, emphasising transparency and governance without necessitating extensive data points.
- Finally, clarity is required on the potential regulatory intentions for voluntary carbon markets. Understanding the legal nature of voluntary carbon credits (VCCs) is crucial for issues like enforcement and monitoring.

Our response has been drafted with the support of our professional firm member PwC Singapore, based on feedback from the wider ASIFMA membership. We thank the NCCS, MTI and EnterpriseSG for the opportunity to provide feedback and for considering our comments. We would be happy to meet with NCCS, MTI and EnterpriseSG to further discuss any of the issues raised and provide clarity on our response.

Should you have any questions, please do not hesitate to contact Diana Parusheva-Lowery (dparusheva@asifma.org), Managing Director, Head of Public Policy and Sustainable Finance at ASIFMA.

Yours faithfully,

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Annex – Draft VCM guidance consultation responses

Feedback 1: General feedback on the government support in companies' participation in well-functioning carbon markets

We recognise the necessity of carbon credits to achieve global net zero objectives, acknowledging that residual emissions will persist despite deep decarbonisation efforts. Carbon markets are instrumental in addressing these emissions, effectively channeling finance to mitigation endeavors.

We support the Singapore Government's recognition that carbon markets cost-effectively channel capital into decarbonisation projects that would not have otherwise occurred, and the Government's support for companies' participation in well-functioning carbon markets and voluntary use of high-quality carbon credits as part of credible decarbonisation plans. Furthermore, the focus on the seven principles of environmental integrity under the Singapore International Carbon Credit framework sets a strong baseline.

We support efforts to unlock high quality VCMs. We view the scaling up of VCMs as a parallel and secondary measure while companies reduce their carbon footprint. As mentioned in the draft guidance, carbon credits are a complementary tool for companies in hard-to-abate sectors to meet decarbonisation targets – e.g., there are certain sectors (e.g. air transport, shipping, cement) where the decarbonisation solutions are not economically and technologically viable at scale yet. Thus, VCMs can be useful in the interim until improvements to abatement technologies are made.

Feedback 2: Lack of clarity and requirements on capacity building

1.2.2 Second, companies need to put together a credible decarbonisation plan, laying out strategies and pathways for their transition. Best practices for a credible decarbonisation plan include:

- ***a. Contribution to Paris Agreement temperature goals;***
- ***b. Comprehensive emissions inventory across all emissions scopes, based on clear definition of a company's emissions boundaries;***
- ***c. Emissions reductions strategies addressing all emissions scopes, and prioritising all technically, scientifically, and economically feasible emissions reductions;***
- ***d. Periodic review and update of targets and strategies, accounting for latest developments in decarbonisation solutions; and***
- ***e. Public disclosure of emissions data and progress towards targets, using standardised reporting formats.***

We support the Singapore government's recommended principles on quality, and meta-standards such as the ICVCM's Core Carbon Principles. ICVCM's global governance model and transparent, science-based methodology assessments provide a credible foundation for scaling trust in voluntary carbon markets. Clear articulation of how national and international standards interact in any guidance will be important for maintaining market clarity, avoiding fragmentation, and supporting the growth of high-integrity credit supply.

Referencing 1.2.2 of the VCM guidance, we agree that best practices for credible decarbonisation plans are crucial.

However, the risk of oversimplification needs to be addressed. There is a lack of differentiation in treating individual emission scopes (Scope 1, Scope 2 and Scope 3)for decarbonisation pathways and current phrasing leaves much to subjective interpretation. As many companies lack the capacity to make judgments on what are considered best practices, more detailed guidance, as well as institutional support in the form of capacity building, would be beneficial.

3.2.2 After a company has prioritised all feasible emissions abatement efforts, it should then consider the use of carbon credits to address its remaining emissions and meet its interim net emissions targets. As the feasibility of emissions abatement may change over time (e.g. with new solutions and technologies), companies should regularly review their decarbonisation plans. There are also opportunities for further work to develop robust, science-based methodologies to determine residual emissions at a more granular level across different geographies and sectors.

Referencing point 3.2.2 in the VCM guidance, we believe that significant responsibility is placed on corporates to make judgements on the use of carbon credits to address remaining emissions and meet interim net emissions targets. However, the capacity to do so depends on the size of the company and maturity of its understanding on carbon markets.

The feasibility of emissions abatement is subjective from industry to industry and company to company, hence we feel that more institutional support is required to support all corporates, particularly SMEs. To this end, some members believe that the feasibility of emissions abatement should be tackled through other instruments, e.g. national decarbonisation pathways. Such pathways could include suggestions such as the staggered usage of carbon credits.

Feedback 3: Legal and regulatory considerations

We believe that further clarity is needed on the legal character of voluntary carbon credits (VCCs) to enable scaling, i.e. guidance on the regulatory classification of VCCs, and a legal characterisation of VCCs as “intangible property”. As more corporates hold VCCs, it is crucial to clarify how VCCs are treated in trust or collateral arrangements and proprietary rights in case of insolvency.

Furthermore, we suggest further clarity on whether the government has any intention to regulate the voluntary carbon markets, and if so, which regulatory body will oversee the operationalisation of the VCM.

Feedback 4: Level of disclosure

3.4.1 We encourage companies to transparently disclose their use of carbon credits. This includes the volume of credits, type of credits, project location, where the credits were held (e.g., which registry), purpose of use, and third-party ratings if available. Beyond compliance with regulations, such practice supports credibility and accountability, and builds trust with stakeholders. It provides investors and consumers insight into the company’s environmental impact and progress towards decarbonisation.

On point 3.4.1 of the VCM guidance, we believe that transparent reporting is a crucial lever for market scaling. Public disclosure drives transparency and credibility, increasing confidence to participate in carbon markets. It is important to recognise that transparent reporting must go hand in hand with the IFRS SDS issuance. Considerations to the European Union’s 2023 Corporate Sustainability Reporting Directive (CSRD) European Sustainability Reporting Standards (ESRS) might also be required to help companies manage and enhance their sustainability reporting across different jurisdictions.

Furthermore, while we support aligning IFRS Sustainability Disclosure Standards with those of listed and large non-listed companies, we recognise that the detailed disclosure requirements might pose challenges for other companies. Some members propose that credit-related disclosures, if included, should remain high-level and principle-based—focusing on transparency and governance without requiring detailed data points. A flexible approach will allow corporate strategies to mature while continuing to encourage climate finance at scale. Pressure to disclose granular information Including specific elements such as credit type, volume, timing, where the credits were held, purpose of use, and third-party ratings could introduce operational complexity, as well as reduce corporate willingness to engage with the market. Another member suggests that a simplified, standardised, high-level data-based template for corporate disclosure on the use of carbon credits would potentially help in bringing better clarity, easing the disclosure and consequently enhance the willingness to engage with the market.

Feedback 5: Limitation on carbon project ratings

3.3.2 Labels and carbon project ratings are possible tools which companies could consider using when assessing the quality and risk of credits at the project level. Such labels aim to provide an objective indication on whether a project meets a desired standard or impact, while carbon project ratings aim to provide an independent and objective assessment of the project quality and the likelihood that it will achieve its stated emissions impact. Companies can also consider the use of insurance to derisk their portfolio of carbon credits or projects, as they become more available.

On point 3.2.2 of the VCM guidance, it is important to note the limitations to carbon project ratings. There is a risk that ratings are seen as a complete solution to the challenges in assessing the quality of a project or a reliable stand-in for project-level risk. For example, different ratings providers have produced significantly different assessments for the same projects. Furthermore, there is a lack of standardised metrics, methodological inconsistencies as well as a risk of rating dispersion.

Ratings should therefore not substitute proper due diligence by companies when assessing carbon projects. They should remain as optional tools until these challenges are properly addressed.

Feedback 6: Considerations for financial institutions

We recognise the role of financial institutions in the VCM, especially as many are helping clients purchase and retire credits on their behalf. We suggest the government agencies to support the development of financial sector expertise in facilitating and financing carbon markets. This could include regulatory support for capacity building on the roles that financial institutions can play, as well as the development of financing frameworks (policy and procedure for carbon credits trading and financing team, due diligence requirements and disclosure requirements for banks in the role as financiers and/or facilitators, etc.) to support the participation of financial institutions in scaling the carbon markets.

Feedback 7: Guidelines on purchasing and retiring carbon credits issued within commitment periods

On point 2.3.1, stating companies should purchase and retire credits issues within their commitment as best practice may introduce unintended consequence which could potentially disincentivise the companies to take long term off-taking agreements from new projects if their commitment is only until 2030. Instead, they will buy ex-poste credits, rather than investing in new projects to secure credits.