

ADRYADA'S POSITION ON THE LEGAL FRAMEWORK FOR THE POSSIBLE USE OF INTERNATIONAL CARBON CREDITS TOWARDS THE 2040 EU CLIMATE LAW TARGET

Recipients: European Commission

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As a company with a mission to restore Nature at a large-scale to high integrity standards, aDryada applauds the European Union's 90% reduction by 2040 Climate Target. We also welcome the European Commission's decision to introduce the flexibility mechanism of reaching up to 5% of the target with international credits, provided that they are of high integrity, since:

- It can ease the cost of decarbonization on European industry, allowing them to remain competitive.
- It will channel carbon financing to countries that need support reaching their climate targets, and thereby also strengthen alignment with the Paris Agreement targets.
- Some carbon reduction/removal projects will have a larger comparative impact outside of Europe (e.g., restoring 200ha of tropical forest can have greater impact on climate mitigation than restoring 200ha of boreal forest in Europe).ⁱ

aDryada is aware of the difficulty the EU faces in finding the equilibrium between integrating international carbon credits that are of high-integrity and thus have tangible impact, while remaining cost-effective enough so as to provide flexibility.

aDryada holds that the 5% offset with international credits mechanism can best find an equilibrium between offering flexibility while supporting carbon projects with high impact if:

- During both the pilot phase and the full implementation, only credits that abide by widely accepted international standards of high integrity should be eligible for offsetting, that is principally the ICVCM's Core Carbon Principles (CCPs) and the IFC Performance Standards for social and environmental safeguards.
- Starting in the pilot phase, a minimum share of the credits used should be removals starting in the pilot phase, with the share gradually increasing until only removal credits are eligible for offsetting.
- If strict quality criteria are adopted, the EU should consider integrating the 5% offset in the EU ETS.

1. To ensure that credits used have a tangible impact on the climate, only credits aligned with international quality standards and generated by bankable projects should be eligible.

In 2012, the EU banned the use of CDM credits under the ETS, in part because a flood of low-integrity (often suffering from inflated baselines) and thus cheap carbon credits had entered the market. To prevent this from happening again and to ensure that credits used for offsetting under the climate target have a real, tangible positive impact on the environment, only credits of high integrity should be eligible.

Since there is no clear shared definition on what constitutes “high-quality/integrity” carbon credits, it is best to

1. Integrate international standards which are well recognized by governments, investors, buyers, and international organizations to ensure quality:
 - Globally, in order for carbon markets to become more standardized and thereby scale into a structured, liquid market, actors are pushing for the ICVCM Core Carbon Principles to be recognized as a baseline quality standard. This is being done by:
 - Governments, for example France, Indonesia, Singapore, the United Kingdom, Nigeria, Tokyo Metropol, The Coalition to Grow Carbon Markets (representing Canada, Panama, Peru, Switzerland, New Zealand, and Zambia).ⁱⁱ
 - Investors, for example Norges Bank Investment Management, HSBC, Standard Chartered, and Carbon Growth Partners.ⁱⁱⁱ
 - Buyers of carbon credits, for example Google, McKinsey & Company, Meta, Microsoft, Salesforce, Bain & Company, REI Coop (all represented by the Symbiosis Coalition), and DocuSign.^{iv}
 - International organizations, for example the Organisation for Economic Cooperation and Development and the United Nations Development Program.^v
 - The IFC’s Performance Standards are widely recognized by investors as a framework for safeguarding against social and environmental risks.
2. Ensure projects that generate carbon credits are bankable:
 - This is a key criterion for the permanence of projects, as projects that are financially sustainable will endure in the long-term.
 - The criteria that are currently used by rating agencies on this subject could be used as a starting point for defining relevant criteria for the European 5% offset.

2. Starting in the pilot phase, a minimum share of credits used for the 5% offset should be removals, with the share increasing over time until removals are the only eligible credit type.

aDryada considers that starting in the pilot phase, a minimum share of the carbon credits used for the 5% should be removals, with the share of removals increasing over time until they are the only eligible credit type, in order to:

- Align with international decarbonization pathways (e.g., Science Based Targets initiative, Oxford Offsetting Principles) and thus contribute to the standardization of the market so that it can scale and accelerate impact.
- Progressively scale carbon removals, which are necessary to reach the Paris Agreement targets, by unlocking financing. A June 2024 Oxford University report estimated that 7 to 9 billion tons of CO_{2e} will need to be removed annually by 2050 to reach the target. Without incentivizing the early financing of these removals, we will not be able to scale removal projects fast enough.

In gradually increasing the removals share over time, the European Commission should not make an “a priori” distinction favouring engineered over Nature-based removals, since:

- NbS removals are currently the only kind of removals that are widely proven, scalable, and cost-effective. Credits from ARR projects are forecasted by MSCI to reach US\$70 by 2040, versus US\$273 for BECCS and US\$355 for DACCS, under a high demand, loose supply scenario.^{vi} Excluding them would thus jeopardize the chance of the EU reaching its 2040 target.
- They offer a multitude of co-benefits for biodiversity and socio-economic development, such as soil health, water filtration, and alternative income streams for local communities. This is especially true for large-scale infrastructure-like projects, such as aDryada’s 100,000 hectare restoration project in Côte d'Ivoire, “Karidja”, which will offer jobs to the local population, fund local infrastructure (e.g., health clinics, clean water facilities), and direct a portion of the revenue to the local population throughout the project lifetime.
- It is important to keep in mind that the design of the policy should work to best serve the EU’s 2040 (and 2050) target, not a target centuries from now. Nonetheless, when permanence risks are adequately mitigated for (e.g., buffer pools, fire protection, permanence funds), NbS removals can sequester carbon for centuries. Other mechanisms to ensure permanence beyond the crediting period are also being studied by the ICVCM Working Group on Permanence, and the Methodological Expert Panel of the Paris Agreement Crediting Mechanism.

3. If strict quality criteria are adopted, the EU should consider integrating the 5% offset into the EU ETS.

Under the 2040 Climate Law, the EU has already opened the door to opening the ETS to domestic engineered removals. aDryada believes that if the European Commission puts in place strict quality criteria for credits used under the Climate Law (i.e., ICVCM CCPs, IFC PS) and progressively limit eligible credits to all carbon removals (including NbS), the European Commission should go beyond this and integrate the 5% offset into the EU ETS for hard-to-abate emissions, since:

- In comparison to the LULUCF and ESR mechanisms, the EU ETS offers one EU-wide price and a price that is high enough to impose the purchase of high-integrity credits with a credible impact on climate.
 - Linking the offset mechanism to the ETS means that the ETS price will act as the benchmark price for carbon credits purchased.
 - Today, the ETS price is similar in price to high-integrity carbon removal credits with high permanence and structural impact on the climate. Thus, allowing for flexibility while not compromising on credibility and impact.
 - If such a benchmark price is combined with a dynamic price floor that is linked to the average ETS price over a certain period, the EU will ensure that only high-integrity credits will enter the ETS market and thus prevent a repeat of the CDM crisis.
- International credits can ease some of the price pressure and volatility ETS-regulated companies are facing, especially among rising energy prices.
- This would enable EU ETS-compliant companies to align their compliance obligations with net zero pathways such as the Science Based Targets initiative, reducing fragmentation between regulatory and voluntary decarbonization pathways.
- This would simultaneously open the door for a limited number of carbon credits to be eligible for offset under the Carbon Border Adjustment Mechanism (CBAM), which would allow for offsets used under compliance carbon pricing mechanisms to be recognised as a “carbon price paid”. This would show flexibility for countries which have already expressed opposition to the CBAM, e.g., Brazil, India, South Africa.

ⁱ Communications Earth & Environment (2026) Fahrenbach, N.L.S., De Hertog, S.J., Jäger, F. et al. 'Reforestation scenarios shape global and regional temperature outcomes', *Communications Earth & Environment*, 7, 204. <https://doi.org/10.1038/s43247-026-03331-3>

ⁱⁱ France: Ministry of Ecological Transition (France) (2025) *Changenow 2025: lancement charte crédits carbone*.

Available at: <https://www.ecologie.gouv.fr/presse/changenow-2025-lancement-charte-credits-carbone>

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<https://en.antaranews.com/news/390769/indonesia-icvcm-partner-to-build-high-integrity-carbon-market>

Singapore: National Climate Change Secretariat, Ministry of Trade and Industry, and Enterprise Singapore (2025) *Guidance on the role of carbon credits in corporate decarbonisation*. Available at:

<https://www.enterprisesg.gov.sg/-/media/esg/files/carbon-services-and-trading/guidance-on-the-role-of-carbon-credits-in-corporate-decarbonisation.pdf>

Nigeria: Nigeria's Carbon Market Framework commits to considering ensuring that Nigerian carbon projects meet ICVCM standards.

The United Kingdom:

Department for Energy Security and Net Zero (2026) *Voluntary carbon and nature markets: raising integrity – summary of responses (accessible webpage)*. Available at:

<https://www.gov.uk/government/consultations/voluntary-carbon-and-nature-markets-raising-integrity/public-feedback/voluntary-carbon-and-nature-markets-raising-integrity-summary-of-responses-accessible-webpage>

Tokyo Metropol: ICVCM CCP labels are promoted in the SME exchange.

Canada, Panama, Peru, Switzerland, New Zealand, and Zambia (as part of the Coalition to Grow Carbon

Markets): The Coalition to Grow Carbon Markets (2025) *Shared principles on the voluntary use of high-integrity carbon credits*. Available at: <https://coalitiontogrowcarbonmarkets.org/shared-principles/>

ⁱⁱⁱ Norges Bank Investment Management (2026) *Corporate use of environmental attribute certificates*. Available at: <https://www.nbim.no/en/news-and-insights/our-views/2026/corporate-use-of-environmental-attribute-certificates/>

HSBC: The global head of carbon removal technologies at HSBC, said that HSBC will only provide financing to carbon projects issuing credits aligned with ICVCM CCPs. HSBC (2026) 'HSBC carbon markets financing policy', *Carbon Pulse*. Available at: <https://carbon-pulse.com/496563/>

Standard Chartered: The Head of Carbon Markets Development at Standard Chartered said "the Core Carbon Principles... will lead to a consistent approach across the standard setters and deliver a supply of high-quality carbon credits". <https://icvcm.org/global-benchmark-for-high-integrity-carbon-credits-aims-to-mobilize-climate-finance-at-speed-and-scale/>

Carbon Growth Partners (2024) *Impact report 2024*. Available at: <https://carbongrowth.com/wp-content/uploads/2024/07/Carbon-Growth-Partners-Impact-Report-2024.pdf>

^{iv} Symbiosis Coalition (2025) *Symbiosis Coalition announces second RFP*. Available at:

<https://www.symbiosiscoalition.org/perspectives/symbiosis-coalition-announces-second-rfp>

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^v OECD: In a paper on Colombia's carbon pricing, the OECD suggested that eligible offsets under the Colombian carbon tax should eventually only be those aligned with ICVCM CCPs or Article 6. OECD (2025) *Carbon pricing in Colombia*. Organisation for Economic Co-operation and Development.
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^{vi} MSCI price forecasts.

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