

February 10, 2023

Japanese Bankers Association

JBA comments on the Consultation Report “Compliance Carbon Markets” by the International Organization of Securities Commissions (IOSCO)

Questions	Comments
1. What are the benefits and risks of linking frameworks? How can these benefits be enhanced and these risks be mitigated?	<ul style="list-style-type: none"> • A pre-requisite would need to be the development of and access to a global UN Registry. With differing domestic policies, emissions caps for differing sectors, and carbon prices, there is a risk that hard to abate sectors in developing countries will not be able to purchase offsets that will be traded at international prices (skewed by developed market buyers who are further advanced in their net-zero strategy and have sufficient capital to support the large-scale purchase of offsets).
2. What should be the conditions underpinning a decision to link frameworks?	<ul style="list-style-type: none"> • ETS market structures would need to have similar/same governance, pricing and offset supply to avoid imbalances. • Consideration also needs to be made for supply availability within a compliance framework where the opportunity to sell at higher VCM prices might starve supply in the compliance market.
3. Do you agree these IOSCO principles are appropriate for carbon markets? Explain your response.	<ul style="list-style-type: none"> • Yes. We would consider adapting them for a) the life-cycle stages of offsets and points of purchase, b) platform type and associated risk, and c) the roles of verifiers and data providers.
4. Are other IOSCO principles relevant for application to these markets?	-
5. Do you agree the rules currently in place across key jurisdictions are helpful for scaling of carbon markets?	<ul style="list-style-type: none"> • Yes
6. Are there any other aspects of compliance markets that could benefit from regulatory oversight?	<ul style="list-style-type: none"> • Role and motivation of project developers • Credibility of buyers and access to platforms • Data providers and offset ratings groups
7. Are the recommendations appropriate for the compliance markets?	<ul style="list-style-type: none"> • Yes

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<p>8. Are there any other aspects that the recommendations should address? If so, please state which ones and explain your reasoning.</p>	<ul style="list-style-type: none"> • Should the compliance market in any jurisdiction be satisfied/fulfilled from a supply perspective before the voluntary market can be engaged? • Is there a risk that less carbon-intensive players who are ambitious and want to be carbon negative might purchase large-scale offsets at the expense of developing-market, carbon-heavy industries in a period where supply may be constrained? Some clear guidance on prioritisation and waterfall/hierarchy of offset use should be considered.

(End)