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By email only: raycock@iif.com

Taskforce on Scaling Voluntary Carbon Markets: Consultation Document (November 2020)

The Loan Market Association ("**LMA**") is pleased to provide feedback on the '*Taskforce on Scaling Voluntary Carbon Markets: Consultation Document (November 2020)*' (the "**Consultation Document**").

The LMA is the trade body for the syndicated loan market in Europe, the Middle East and Africa ("**EMEA**"). Its aim is to encourage liquidity in both the primary and secondary loan markets by promoting efficiency and transparency, as well as by developing standards of documentation and codes of market practice, which are widely used and adopted. Membership of the LMA currently stands at over 750 organisations across EMEA and consists of banks, non-bank investors, law firms, rating agencies and service providers.

The LMA is committed to supporting the development of sustainable finance and helping loan market participants to accelerate the net zero carbon transition.

The LMA welcomes the work of the Taskforce on Scaling Voluntary Carbon Markets (the "**Taskforce**") in seeking to facilitate a large, transparent, verifiable and robust voluntary carbon market. The LMA broadly supports the recommendations set out in the Consultation Documentation, and sets out our thoughts on specific recommendations below.

Recommended Action 1: Establish core carbon principles and taxonomy of additional attributes

The LMA supports the proposed introduction of Core Carbon Principles ("**CCP**") setting out threshold quality criteria to which a carbon credit and the supporting standards and methodologies should adhere, and it is hoped that the CCP will help to mitigate the risk of greenwashing in carbon markets. Integrity and transparency of carbon credits are of the utmost importance as this market develops, both in terms of sophistication and size as we move closer to the 2030 deadline. Clear principles, together with clearly defined terms, will be key to ensuring the development of a robust voluntary carbon market, and will assist investors and lenders in financially supporting this market as it grows. The LMA would encourage that any CCP are drafted so as to be global in nature, aiding the international flow of capital, and would encourage the Taskforce to be mindful of the work of other bodies looking at this market, including IOSCO and the World Economic Forum's business council. Competing, inconsistent jurisdictional rules will not be conducive to the healthy development of the voluntary carbon markets.

Recommended Action 8: Catalyze structured finance

The LMA notes that the Taskforce has recommended that banks and other supply chain financiers should provide lending facilities for project developers (both capital expenditures and working capital)

collateralised by carbon credits. We note that having a robust CCP is an essential step to catalysing structured finance in this space.

Furthermore, the LMA supports the Taskforce recommendation that "green financier" labels will apply to funds provided to finance offset projects. Lenders and investors are under substantial pressure, from regulators, stakeholders and society, to support green and sustainable activities, and the application of a "green financier" label, or equivalent, would go a long way in supporting the development of the voluntary carbon market.

The LMA has published Green Loan Principles and Sustainability-Linked Loan Principles for use in the syndicated loan market, in collaboration with the LSTA¹ and APLMA² to ensure a global approach to the green and sustainable lending market. We would very much welcome the opportunity to discuss how these principles might be adapted to provide recognition for offset projects as eligible categories of finance thereunder.

Recommended Action 14 – Offer consistent investor guidance on offsetting

Whilst the priority must be on reducing emissions, the LMA nonetheless strongly supports the provision of consistent investor guidance on offsetting and believes this is vital for the development of financial investment in this space. In particular, the LMA notes the desire to provide clear guidance on the role and use of offsets, together with the differential between avoided and reduced emissions, in conjunction with reporting protocols. With the rapid development of disclosure requirements for sustainable practices, it is vital that any guidance in this space acknowledge the increasing number of disclosure requirements being place on investors, and corporates, and clearly state how the development of the voluntary carbon market might impact reporting protocols.

Should you wish to discuss any aspect of this response further, please contact Gemma Lawrence Pardew, Senior Associate Director - Legal (gemma.lawrencepardew@lma.eu.com or 0207 006 1372) or Hannah Vanstone, Legal Associate (hannah.vanstone@lma.eu.com or 0207 0062034).

Yours sincerely

Gemma Lawrence-Pardew

Senior Associate Director - Legal

Loan Market Association

¹ Loan Syndications and Trading Association.

² Asia Pacific Loan Market Association.