REA submission: Voluntary Carbon and Nature Markets Consultation

The Renewable Energy Association (REA) is a not-for-profit trade association representing renewable energy and clean technology producers across the entire value chain.

We have members involved in wide range of renewable and low carbon technologies across power, heat, transport, and circular bioresources. This includes members developing both engineered and nature based GGRs such as BECCS and WECCS, and agricultural land management techniques (including the production of biochar, addition of organic materials to soils, and diversification of crop species).

The REA has around 500 corporate members; making it the largest renewable energy and clean tech trade association in the UK. More info available at www.r-e-a.net.

Summary

The REA welcomes the publication of this consultation and is broadly supportive of the proposed principles. We support the intention to integrate high-integrity, robust Greenhouse Gas Removal (GGR) requirements, which will build confidence in the market and encourage large corporates to play their part in helping to decarbonise the economy and achieve net zero.

However, there are opportunities for Government to go further to catalyse demand. A key challenge facing GGR developers face is the current lack of demand for carbon credits in the voluntary carbon market – both in terms of scale and number of purchasers. We see this particularly in relation to engineered removals, which carry a higher cost. Although a voluntary market, Government still has a role to play to encourage early market participation by corporate emitters. For example, Government should provide a policy statement outlining expectations on UK incorporated companies to publish plans for, and begin the procurement of, carbon credits as part of their decarbonisation activity. This would provide the right signal to the market that, while not mandatory, carbon credits are an expectation and should become part of corporate climate action.

Other actions to stimulate private investment include ensuring GGRs are integrated into the UK ETS with 100% offset eligibility, finalising GGR-related business models, and establishing consistent standards, certification, and registries aligned with international frameworks to attract global capital.

York House,
23 Kingsway London,
WC2B 6UJ

http://www.r-e-a.net/
Tel: 020 7925 3570

We also highlight the difference between carbon offsets and carbon removals, particularly in relation to permanence of nature-based solutions versus engineered removals. Both have a vital role to play, particularly in helping hard-to-abate sectors decarbonise their Scope 3 emissions for example, but beyond 2050, we should be reliant on removals and carbon insetting, rather than offsets.

We have also urged Government to provide clarity on standardisation, including what can be considered a high-integrity credit.

Note, rather than taking each question individually, we have responded more broadly to the six principles set out in the consultation, seeking to address the questions in each area relevant to REA members and where we have data to support our responses.

Consultation principles and response

Principle 1: Use credits in addition to ambitious actions within value chain.

The REA supports the overarching aim of principle 1 that recognises that carbon credits should not be relied on to offset emissions but should instead be a complementary part of wider decarbonisation plans.

Scope 3 emissions

Using high-quality, long-term carbon removal credits to address Scope 3 emissions will be a critical part of that but any credits used for this purpose must be subject to strict accounting principles. Use of credits to compensate for Scope 3 emissions should follow the Oxford offsetting principles.

A clear pathway or requirement for companies to plan their pathway to meet the requirements of VCMI's Claim Code would also be helpful.

Voluntary Carbon Market Integrity Initiative (VCMI) framework

The VCMI framework provides a solid basis to guide buyers on the use of high-integrity credits. However, and as recognised within the consultation, there are a number of other voluntary frameworks relating to the use of carbon credits. It would be helpful to encourage these frameworks to work together more closely, improving alignment and understanding, and increasing the receptiveness to purchasing high-quality carbon credits. This could include collaboration between SBTi and VCMI, for example.

It is important to note that the VCMI places carbon credits and removals together. If we meet net zero by 2050, then in theory, there should be no discretionary emissions left to provide offset credits. This would leave carbon removals as the only viable option beyond that point in time, and recognition of that should be made. Similarly, the VCMI does not

differentiate by type of carbon credit. Government should therefore move forward with the proposed safeguards on the proportion of types of credit to avoid unintentionally setting a low carbon price and failing to incentivise corporate buyers. In our response to the 2024 consultation, *'Integrating greenhouse gas removals in the UK Emissions Trading Scheme',* we also highlighted considerations for Nature-Based Solutions and Engineered Removals, which should be considered. We provide further information on this in response to Principle 2.

Insetting requirements

It is important that Government supports strong Monitoring, Reporting and Verification (MRV) principles for biomass use, and ensures alignment across frameworks – for example, requirements in the Sustainable Biomass Program (SBP) should be reflected in the Government's upcoming Common Sustainability Framework.

Principle 2: Use high integrity credits.

Standards and methodologies for GGRs

The REA urges the Government to provide clarity and standardisation for what can be considered a high-integrity credit, including whether offsets are included or not. As set out in our response to *'Integrating greenhouse gas removals in the UK Emissions Trading Scheme,'* we highlighted the pros and cons of both Nature-Based Solutions and Engineered removals and suggested why a different approach may be required for each. For example, nature-based solutions may already be at a price point that could allow for quick deployment but there are clear issues around them being able to deliver permanence of storage and providing additionality. By contrast engineer-based solutions are more expensive, requiring additional support for deployment, but due to geological storage could see far greater levels of permanence.

In the same response, we reiterated the need for strong standards and methodologies for each form of GGR so that their quality can be assured from the outset through strict definitions. We suggested they could be designed around the Oxford Principle's for Net Zero Aligned Carbon Offsetting – an approach we continue to support. Further, we would encourage replication of their recommendations to stimulate VCM demand.

Carbon credits and removals

It is critical to establish a market for both carbon credits and carbon removals, establishing the interaction between both essential activities and helping enable the deployment of commercial scale GGR technologies, both engineered, and nature based.

However, given the considerations around permanence of storage, different values for different GGRs should gradually and carefully be introduced. This would provide more transparency to obligated parties and other consumers and ensure the development and purchase of high-integrity credits and removals, while also highlighting the difference in permanence that different GGR technologies can provide.

With the latest SBTi removals consultation, it may be appropriate for government to consider adopting a mandatory requirement for certain companies in carbon intensive sectors which don't fall into scope of the ETS and/or with large profits to increase their carbon removal purchasing targets over time. This could go beyond requirements in the VCM. A mandatory requirement on, for example large corporates, would also encourage those just outside the scope of the requirement, to set and meet GGR targets due to domino effects in the supply chains, further stimulating the market.

Alignment of frameworks

As mentioned previously, we agree that the Integrity Council for the Voluntary Carbon Market (ICVCM) principles and assessment framework should be used to provide a minimum quality requirement for global carbon removal credits. However, alignment between voluntary frameworks, including the BSI GGR Standards, is important.

Lastly, carbon credits are not regulated as financial instruments in the same way Emissions Trading Scheme allowances are, however it could be beneficial if they were as this would encourage institutional involvement, and secondary market trading.

Indirect Land Use Change (ILUC)

The REA recognises the risk that biomass can pose to indirect land use change and welcomes the steps taken in both UK and EU policy to identify and address this. Government should develop specific requirements to mitigate risks of ILUC, and where mitigation is not possible, using predictive estimates of ILUC may be needed.

Principle 3: Measure and disclose the planned use of credits as part of sustainability reporting.

The REA agrees that providing transparency to consumers and buyers is critical if we are to integrate GGRs successfully and build a mature market, however a balance between voluntary and mandatory reporting requirements is needed. In addition, further demand-side measures are needed to incentivise corporates to purchase high-integrity carbon credits. Example of what measures could be implemented are included in our response to Principle 6.

Principle 4: Plan ahead.

We welcome the government's intention to consult to mandate UK-regulated financial institutions and FTSE100 companies to develop and implement credible transition plans that align with 1.5°C. The UK's progress is currently slower compared to other countries with stronger demand signals, policy certainty, and support. The US' Inflation Reduction Act (IRA) has created one of the most generous subsidy environments for carbon removal via enhanced 45Q tax credits and the ability of GGR producers to stack multiple revenue sources, while also allowing project developers to lock in credits for 12 years. The long-term revenue certainty and crowding in from private investors has pushed up the value of geologically stored CO2, improving viability.

Government should provide a clear signal to organisations on the acceptable use of credits, stimulating demand for GGRs. Clear Government guidance on how to navigate the carbon credit landscape would be boost confidence in the market and encourage demand for and purchase of credits. As outlined in our responses to Principles 1 and 3, this should include a mix of carbon removal solutions, across both engineered and nature based, but given the risks around permanence, a greater proportion of high-integrity, durable credits should be increased in time. There is also likely to be a move from utilising carbon offsets to predominantly carbon removals after 2050, assuming the UK meets its net zero ambitions.

Principle 5: Make accurate green claims using appropriate terminology.

The REA supports the need to ensure accurate green claims and reporting. Greenwashing is damaging for all actors involved in carbon markets. It is especially important to prevent potentially misleading claims from undermining the wider role of GGRs and cause an overcorrection in the private sector in the form of greenhushing particularly as the market is being developed. However, a balanced approach is necessary, so as not to create burdensome requirements for businesses and buyers, which could inadvertently hamper market growth.

As a result, the REA supports *Option 1 – developing defined definitions*. This would remove any legal ambiguities and should align with EU definitions to incentivise the use of carbon credits. This will also help with future alignment between the UK and EU carbon markets.

Investors and GGR developers would likely see a government backed measure (option 1) as more credible, helping to further stimulate the market. As well as building on existing definitions used in the EU and by international initiatives, Government should also convene an industry working group to assess any definitions and assumptions. The REA and our members would be happy to support this work.

Further actions from government

As outlined previously, government has a role to play in sending the right signals and incentivising the market. Setting out a policy statement outlining expectations on UK incorporated companies to publish plans for, and begin the procurement of, carbon credits as part of their decarbonisation activity. This would provide the right signal to the market that, while not mandatory, carbon credits are an expectation and should become part of corporate climate action.

Government should also clarify legal ambiguities and reduce risk for participants. This could include publishing guidance with official definitions relating to claims which incentivise the use of carbon credits. These definitions should align with the EU.

ETS allowances are regulated as financial instruments and as a result benefit from high levels of secondary market trading. Establishing carbon credits as similar regulated instruments would encourage market growth. As mentioned above, encouraging voluntary frameworks to work together more closely, potentially including collaboration between the SBTi and VCMI, would provide further clarity and confidence in the market.

Principle 6: Co-operate with others to support the growth of high integrity markets.

The REA agrees that endorsing the outputs from VCMI and ICVCM is important in supporting global standardisation. There is a particular need to harmonise Greenhouse Gas (GHG) accounting across a variety of areas of reporting and compliance, including national inventory guidelines, corporate inventory reporting, the VCM and compliance markets. To ensure alignment between industry objectives and national commitments, the fundamental rules of carbon accounting should be drawn from the IPCC guidelines for national inventory reporting.

We also suggest better co-operation between regulators and policy makers across the UK, including in Whitehall, Holyrood, Stormont, and the Senedd.

Cross-cutting enablers

43. What further information or actions do companies need to see to feel confident and encouraged to engage in the Voluntary Carbon Market and purchasing of high-quality engineered removals credits?

Biomass and EfW with CCS provide vital baseload electricity, accounting for around 12% of national power generation. Beyond this, emerging GGR pathways such as biochar production and advanced gasification deliver co-benefits through exothermic heat output and co-products like soil enhancers and syngas, enabling circular value chains that align with both environmental and agricultural goals.

Anaerobic Digestion (AD) plants can also provide GGRs by upgrading biogas to biomethane and through the sequestration of carbon in soils through the application of digestates. Currently there are around 120 biomethane plants in the UK which injected 5TWh of gas into the network in 2024. A number of these plants are already sequestering the carbon for different purposes which includes for use in food manufacturing and sequestration to the Northern Lights CCS in Norway. The Biomass Strategy estimated a potential for up 40TWh of biomethane by 2050. A recent figure published by NNFCC/Alder Bioinsights suggests that there is potential for 120TWh in the UK.[1] These bioenergy-based GGRs offer a rare combination of emissions reduction, energy generation, and rural economic uplift.

Addressing policy barriers

As support under the Renewables Obligation (RO) begins coming to an end from 2027, the absence of transitional support for sub-100MW biomass generators and slow rollout of the power BECCS and industrial CCUS business models create a high-risk environment for investors. Delays in deploying BECCS not only raises climate risks but could cost the UK economy an estimated £1.2 billion per year, with potential supply chain cost inflation of 25–30% if deployment continues to stall.[2] Some form of transitional support for existing biomass facilities is essential to retain critical infrastructure and avoid losing valuable low-carbon capacity. It will also avoid forcing sites offline prematurely, threatening both waste treatment capabilities and energy system stability.

[1] Green Gas Taskforce, (2025), *'Unlocking the future of biomethane',* https://greengastaskforce.co.uk/unlocking-the-future-of-biomethane/

[2] Biomass UK, Baringa, (2025), '*The role of Biomass and BECCS in the UK Energy System*', https://www.r-e-a.net/resources/report-biomass-uk-energy-2025/

One of the main barriers, particularly in the South of the country, is the limited access available for CO2 transport and storage access. There has been slow progress on the GGR and Power BECCS business models, with no formal update since December 2023 leading to considerable uncertainty. The current cluster-based CCUS approach excludes the non-cluster facilities which make up the majority of the UK's potential GGR generators, with planned expansions and future cluster rollouts happening at a rate too slow for those needing to make investment decisions now. In addition to this, non-pipeline transport (NPT) solutions have not been developed in tandem and remain far behind the pipeline process.

Incentivising the market

Government-backed certification (e.g. UK Net Zero Carbon Removal certification) and co-funding initiatives can reduce perceived risk and ensure environmental integrity. The Government can further stimulate private investment by providing long-term demand certainty and reducing risks for early projects. Key immediate interventions include ensuring GGRs, including those arising from biomethane production, are integrated into the UK ETS as quickly as possible, finalising business models, and establishing consistent standards, certification, and registries aligned with international frameworks to attract global capital. This consultation is a welcome first step.

Further interventions may include the introduction of mandates requiring corporates to purchase a level of GGRs corresponding to their residual emissions; or government-backed volume support schemes (e.g. CfD) to underwrite initial projects. Actions may also be targeted to sectors with heavy residual emissions projected, e.g. the Aviation sector, who are predicted to make up a quarter of the UK's residual emissions by 2040 according to the CCC[3].

[3] Climate Change Committee, (2025), *'Seventh Carbon Budget'*, https://www.theccc.org.uk/publication/the-seventh-carbon-budget/