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Item No. 5 on the agenda: Preliminary endorsement and authorisation to proceed with consultation

(c) UNIDROIT Principles on the Legal Nature of Verified Carbon Credits

(prepared by the Secretariat)

<i>Summary</i>	<i>Update on the project on the Legal Nature of Verified Carbon Credits and submission of draft instrument for comments and authorisation to proceed with formal consultations.</i>
<i>Action to be taken</i>	<i>The Governing Council is invited to take note of the status and development of the project. The Governing Council is invited to consider the submitted draft instrument and to authorise the Secretariat to proceed with open consultations of the draft instrument as further revised by the Working Group and Drafting Committee.</i>
<i>Mandate</i>	<i>Work Programme 2023-2025 and 2026-2028</i>
<i>Priority level</i>	<i>High</i>
<i>Related documents</i>	<i>UNIDROIT 2022 – C.D. (101) 4 rev.; UNIDROIT 2023 – C.D. (102) 14; UNIDROIT 2024 – C.D. (103) 11; UNIDROIT 2025 – C.D. (105) 10</i>

I. INTRODUCTION

1. The purpose of this document is to update the Members of the Governing Council on the progress of the UNIDROIT project on the Legal Nature of Verified Carbon Credits. After briefly recalling the background of the project (Section II), this document provides an update on the Working Group on the Legal Nature of VCCs (Section III), the development of a set of Principles and Commentary (Section IV), the work of the Consultative Committee (Section V) and on the status of the UNCITRAL/UNIDROIT Joint Study on the Legal Nature Of Verified Carbon Credits Issued By Independent Carbon Standard Setters (Section VI). As a next step, the Secretariat proposes to

launch a public consultation on the draft UNIDROIT Principles on the Legal Nature of Verified Carbon Credits (the VCC Principles), followed by a Working Group session in October 2026 (Section VII).

II. BACKGROUND

2. On 24 January 2022, UNIDROIT received a proposal from the International Swaps and Derivatives Association (ISDA) for a project to determine the legal nature of voluntary carbon credits. The proposal was expressly supported by the Government of Paraguay in a letter received by the Secretariat on 9 May 2022. At its 101st Session (Rome, 8-10 June 2022), the Governing Council recommended the inclusion of a project to analyse the private law aspects and determine the legal nature of voluntary carbon credits in the 2023-2025 Work Programme, with high priority. The Governing Council's recommendation was endorsed by the UNIDROIT General Assembly at its 81st session with unanimous support ([UNIDROIT 2022 – A.G. \(81\) 9](#)).

3. An update on the preparatory work of the project was presented to the UNIDROIT Governing Council at its 102nd session (Rome, 10-12 May 2023) ([UNIDROIT 2023 – C.D. \(102\) 14](#)). The Governing Council confirmed the authorisation to establish a Working Group in close collaboration with the World Bank Group (WBG). The Governing Council also encouraged further coordination in this area with other international organisations.

4. During the Governing Council's 103rd session in May 2024, the Secretariat provided an update concerning the first two sessions of the Working Group and the considerable work that had been carried out in the intersessional period. This included collaboration with UNCITRAL, particularly in the joint drafting of a paper entitled the "Legal Nature of Verified Carbon Credits Issued by Independent Carbon Standard Setters" (the "UNCITRAL/UNIDROIT Joint Study"). The UNCITRAL/UNIDROIT Joint Study set out a mapping exercise in the area of verified carbon credits to help States assess the options available to them in addressing relevant legal issues, especially concerning the legal nature of verified carbon credits.¹ A copy of the UNCITRAL/UNIDROIT Joint Study was shared for the Governing Council's consideration ([UNIDROIT 2024 – C.D. \(103\) 11](#)).

5. The Governing Council took note of the significant progress made by the Working Group and expressed a positive view on the publication of the UNCITRAL/UNIDROIT Joint Study. The Governing Council also approved changing the project title to the "Legal Nature of *Verified* Carbon Credits (VCCs)" ([UNIDROIT 2024 – C.D. \(103\) 30](#)).

6. At its 105th session held in May 2025, the Governing Council agreed to recommend that project on the Legal Nature of VCCs be continued in the 2026-2028 Work Programme until completion, with high priority ([UNIDROIT 2025 – C.D. \(105\) 32](#)).

III. WORKING GROUP ON THE LEGAL NATURE OF VCCS

7. Secretary-General Professor Ignacio Tirado chaired the first two sessions of the Working Group on the Legal Nature of VCCs. Professor Hideki Kanda, UNIDROIT Governing Council Member and Emeritus Professor at the University of Tokyo, Japan, has since been appointed Working Group Chair to allow for a seamless transition from the concluded project on Digital Assets and Private Law (DAPL).

8. In keeping with UNIDROIT's established methodology, the Working Group is composed of 14 international experts² representing different legal systems and geographic regions, selected for their

¹ The UNCITRAL/UNIDROIT Joint Study is available at <https://docs.un.org/en/A/CN.9/1191/Rev.1>.

² Filippo Annunziata, Ipshita Chaturvedi, Géraud de Lassus St-Geniès, Luca Enriques, Louise Gullifer, Megumi Hara, Caroline Kleiner, Antonio Leandro, Matthias Lehmann, Ludovino Lopes, Kelvin Low, Andrea Tosato, Rolf H. Weber, and Xiaoping Zhang.

expertise in the fields of carbon credit trading, environmental law, property law, contract law, secured transactions, and digital technology.

9. International organisations, crediting bodies in the carbon market, industry associations, legal practitioners, financial sector representatives, and members of academic institutions with expertise in the field of VCCs and private law participate as observers in the Working Group.³ Given the exceptional interest that UNIDROIT's VCC project has garnered, several additional institutional observers have joined the Working Group since the last Governing Council session. At the time of writing, these include HM Treasury (United Kingdom), the National Bank of Georgia, the Forestry Division of the Food and Agriculture Organization of the United Nations (FAO), Climate Action Reserve, the Gold Standard Foundation, and LACLIMA.

10. As of May 2026 the Working Group will have met eight times:

- First session: 10-12 October 2023 (UNIDROIT, Rome)
- Second session: 22-24 April 2024 (UNIDROIT, Rome)
- Third session: 4-6 September 2024 (UNIDROIT, Rome)
- Fourth session: 15-17 January 2025 (UNIDROIT, Rome)
- Fifth session: 2-4 April 2025 (UNIDROIT, Rome)
- Sixth session: 10-12 September 2025 (UNIDROIT, Rome)
- Seventh session: 17-19 December 2025 (UNIDROIT, Rome)
- Eighth session: 15-17 April 2026 (UNIDROIT, Rome)

11. A further remote session of the Working Group is expected to be scheduled for early June 2026 and the final session of the Working Group is scheduled to take place at the seat of UNIDROIT and online from 14 to 16 October 2026.

IV. DEVELOPMENT OF A SET OF PRINCIPLES AND COMMENTARY

12. After the second Working Group session, a Drafting Committee was established consisting of three individual experts⁴ and two advisors to the Committee⁵. Two additional experts later joined the Drafting Committee with responsibility for drafting a principle on applicable law.⁶

13. Since the last Governing Council session, the Working Group has further advanced the development of a soft law instrument in the form of a set of black-letter principles and commentary. The structure of the Principles has been amended following considered discussion at the eighth session of the Working Group (15-17 April 2026). In particular:

- Section IV has been renamed 'Retirement and Cancellation' and now includes a principle on Retirement (now Principle X) as well as a principle on Voluntary Cancellation (now Principle 11);
- a new section and principle on illegality have been added (Section Y and Principle Y); and

³ See [UNIDROIT's webpage on the Legal Nature of Verified Carbon Credits](#) for the full list of Working Group experts and observers.

⁴ Prof. Louise Gullifer, Prof. Andrea Tosato, and Prof. Kelvin Low.

⁵ Mr Cameron Prell, Managing Director The dCarbon Group in representation of the WBG, and Ms Belinda Ellington, IETA representative.

⁶ Prof. Matthias Lehmann and Prof. Antonio Leandro.

- the section on procedural law including enforcement (previously Section VIII and Principle 23) has been removed from the instrument.

14. Thus, the draft instrument is presently comprised of an introduction and nine sections which include 25 draft Principles. The Working Group is also considering the inclusion of an annexe addressing the topic of tokenisation.

Section	Principles
Introduction	<i>Reasons for the Principles</i> <i>Typical life cycle of a VCC</i>
Section I: Scope and Definitions	<i>Principle 1: Scope</i> <i>Principle 2: Definitions</i> <i>Principle 3: General principles</i>
Section II: Private International Law	<i>Principle 4: Applicable law</i>
Section III: Creation and Transfer	<i>Principle 5: Creation</i> <i>Principle 6: Transfer</i> <i>Principle 7: Innocent acquisition</i>
Section IV: Retirement and Cancellation	<i>Principle X: Retirement</i> <i>Principle 8: Cancellation</i> <i>Principle 9: Reversal</i> <i>Principle 10: Revocation</i> <i>Principle 11: Voluntary Cancellation</i>
Section Y: Illegality	<i>Principle Y: Illegality</i>
Section V: Registry	<i>Principle 12: VCC Registry Definitions</i> <i>Principle 13: VCC Registry</i>
Section VI: Custody	<i>Principle 14: Custody</i> <i>Principle 15: Duties owed by a custodian to its client</i> <i>Principle 16: Innocent client</i> <i>Principle 17: Insolvency of a custodian and creditor claims</i>
Section VII: Secured Transactions	<i>Principle 18: Secured transactions: general</i> <i>Principle 19: Registration in a VCC Registry as a method of achieving third-party effectiveness</i> <i>Principle 20: Control agreement as a method of achieving third-party effectiveness</i> <i>Principle 21: Priority of security rights in VCCs</i> <i>Principle 22: Enforcement of security rights in VCCs</i>
Section VIII: Insolvency	<i>Principle 23: Effect of insolvency on proprietary rights in VCCs</i>
Annexe	<i>Tokenisation</i>

15. A brief overview of each section is provided below. The draft instrument, as iterated by the Drafting Committee following the eighth session of the Working Group, is enclosed as an annexe to

this document. The Drafting Committee has strived to incorporate the main substantive changes for the consideration of the Governing Council. However, consideration is still being given to potential additional revisions to the definition of a VCC (Principle 2), especially concerning its relationship with the cancellation principles. Additional work of the Drafting Committee and an abridged remote session of the Working Group is expected to be convened in June 2026, after which further revisions to the Principles might be included before sharing them again with the Consultative Committee and, should the Governing Council so agree, launching a public consultation in July 2026 (see Section VII, below).

Introduction

16. The draft introduction addresses the rationale for the VCC Principles, underscoring the role of carbon markets in supporting climate finance. It provides a brief description of the types of carbon markets and the sort of credits that are traded therein, and identifies the scaling of voluntary carbon markets as one of the main purposes of the instrument. The section also provides an introductory context to the VCC Principles by providing an overview of: (i) the key steps in the typical life cycle of a VCC, including generation and supply, use and retirement, and reversal; (ii) the links to the Paris Agreement; and (iii) the issue of tokenisation. In response to comments from Consultative Committee members, it also includes a section addressing the Principles' neutrality and their relationship to national domestic law.

Section I: Scope and Definitions

17. Draft Principle 1 confines the scope of the VCC Principles to the private law relating to VCCs, and, in particular, to a subset of private law issues. The instrument's focus is on proprietary rights, specifically where VCCs are the object of dispositions and acquisitions, and where rights and interests in VCCs are to be asserted against third parties. The prospective instrument builds on UNIDROIT's work on digital assets, while adapting the proprietary framework to the specificities of VCCs. As with the DAPL Principles, the draft VCCs Principles are not meant to displace existing private law frameworks, but to assist jurisdictions in taking a common approach by providing guidance on how to adapt existing law to account for the idiosyncrasies of VCCs. Unlike the regulatory aspects of carbon markets, which have attracted considerable attention for some years, the analysis of the proprietary aspects of trading in VCCs lacks sufficient attention from both legislators and expert analysts, a vacuum that substantially hampers market growth.

18. Draft Principle 2 includes the definitions of the main terms used in the draft instrument. The definitions are functional and developed solely for the purposes of their use in the VCC Principles—they are not meant for general application or for the carbon market as a whole, though effort has been made to use terminology consistently with the market. The draft definition of a VCC lists only those facts and events that are necessary for a VCC to exist as an object of property rights. If something is a VCC as defined within the Principles, the Principles apply to it, meaning that it can be the subject of proprietary rights and can be transferred, used as collateral, held in custody, etc.

19. Under the Principles, a VCC means a unit that represents a mitigation outcome of the equivalent to one tonne of CO₂ as a result of a greenhouse gas (GHG) mitigation project if: (a) a positive verification statement verifies that the mitigation outcome has been achieved; (b) the positive statement is approved by a crediting body; (c) the unit is credited to an account in a VCC registry; and (d) the unit is individuated using a unique identifier (see Principle 2(1)).

20. Draft Principle 3(1) asserts that VCCs can be the subject of proprietary rights. Indeed, there is general agreement that, to attract the necessary scale of investment needed for VCCs to raise climate finance, VCCs must be deemed property. From the outset, the Working Group focused on analysing whether and how VCCs could fit within existing property law frameworks. There is consensus that the attributes of property common to all legal families can be found in a VCC, since a VCC (i) can be individuated; (ii) can be controlled; (iii) is rivalrous; and (iv) can be transferred.

21. Consistent with the DAPL Principles, draft Principle 3(1) does not prescribe any specific requirements for the acquisition of a proprietary right in a given VCC. Instead, draft Principle 3(4) makes it explicit that ‘other law’—meaning the applicable domestic law—continues to apply to VCCs and to determine a number of important issues, including whether a person holds a proprietary right in a VCC, subject to limited exceptions.

Section II: Private International Law

22. Draft Principle 4 provides a limited applicable law provision for VCCs identifying only the law applicable to proprietary issues relating to VCCs. It does not address other matters, such as the law applicable to contract, tort law, or regulatory issues. Draft Principle 4(3) sets out the connecting factors to determine the law governing proprietary aspects in VCCs. Since VCCs must be recorded in a registry, the registry itself can serve as the central point of reference for determining the law governing proprietary issues.

23. The place of the registry, however, is not always easy to determine. Principle 4(3) gives parties a limited choice between different connecting factors, limited to legal systems that are closely connected with the registry, are foreseeable, and cannot be set up artificially. The available options are the law of the State under which the registry operator is incorporated or otherwise organised, the law of the State in which the registry operator has its statutory seat, the law of the State in which the registry operator has its central place of administration, or the law of the State from which the registry is maintained. In the absence of an express choice of law, Principle 4(5) provides that the law at the registry operator’s statutory seat applies and, if there is no statutory seat, the law at its central place of administration applies.

24. Following the second meeting of the HCCH Experts’ Group on Carbon Markets (the HCCH EG) meeting, the HCCH PB shared with the UNIDROIT Secretariat a document comprising the HCCH EG’s *Comments on and Intermediate Iteration of Principle 4 of the draft UNIDROIT Principles on Verified Carbon Credits*.⁷ The document was described as ‘a work in progress’ that sought ‘to clarify certain aspects of draft Principle 4, in particular, the scope of proprietary issues that should be governed by the same applicable law rule, and the appropriateness of addressing expressly what the provision is not meant to cover’.

25. The document also noted that the HCCH EG required more time to consolidate its views on certain areas, including *inter alia*: (i) whether the connecting factors should be anchored to the registry or on a broader concept of party autonomy; (ii) if anchored on the registry, whether there should be only one connecting factor, or options for different connecting factors; (iii) what connecting factor(s) should apply to proprietary rights in VCCs held by a custodian; (iv) whether different applicable law rules were needed for the matters excluded under the Principle, and if so, what those should be; and (v) whether to address in draft Principle 4 the situation where the impossibility of the project to achieve its intended carbon mitigation benefits for reasons related to the host State law may result in the cancellation of the relevant VCCs.

26. The Working Group considered the HCCH EG’s proposal intersessionally. In particular, the PIL sub-group of the Working Group (the ‘PIL sub-group’)⁸ (i) reviewed and commented on the HCCH EG’s input; and (ii) further iterated draft Principle 4 on the basis of the HCCH EG’s input.⁹

27. The HCCH EG’s interim proposal and the responses of the PIL sub-group are summarised in the table below. The PIL sub-group substantially revised draft Principle 4 in response to the HCCH

⁷ The document can be made available to Governing Council members upon request.

⁸ The PIL sub-group is made up of Prof. Matthias Lehmann, Prof. Antonio Leandro, Prof. Louise Gullifer, Prof. Andrea Tosato, Prof. Caroline Kleiner, and Mr Andrew Bernstein.

⁹ See Study LXXXVI – PIL – Doc. 1 Comments and iteration of Principle 4 of the draft VCC Principles in response to the October 25 feedback of the HCCH EG, available upon request.

EG's input, adopting many of the proposed changes and offering reasoned explanations, to be discussed at the next HCCH EG meeting, in relation to the proposals that were not taken on board.

No.	HCCH EG interim proposal	UNIDROIT PIL sub-group response
1.	<p>It was proposed that Principle 4 start with the scope, providing an enumerative list of issues covered.</p>	<p>The structure of Principle 4 was changed in accordance with the HCCH EG's proposal to start with the scope. The expression 'proprietary matters' as suggested by the HCCH EG was adopted.</p> <p>However, instead, of providing an enumerative list of issues covered, the PIL sub-group deemed it preferable to include all proprietary matters and then indicate the most relevant ones. This was done in order to avoid legal uncertainty about the law applicable to proprietary matters that are not expressly mentioned in the list.</p> <p>The PIL sub-group also considered it important to add the requirements for innocent acquisition and take-free rules, since there are fundamental property law matters.</p>
2.	<p>It was proposed that relevant proprietary matters be governed by the law of the State expressly chosen in the registry agreement for the account on which the VCC is held; the registry operator and the holder of the VCC could, however, at any time agree to choose different law; absent a choice, the applicable law would be that of the State where the registry operator for the registry on which the VCC held had its statutory seat or, in the absence of such a seat, its central place of administration, at the time of the issuance (<i>lex registri</i>).</p>	<p>The PIL sub-group adopted the proposed term '<i>lex registri</i>'. A limited choice of law was maintained in the Principle to give the operator of the registry some flexibility where the <i>lex registri</i> was not entirely clear.</p> <p>However, it was deemed that the operator should not have an unlimited choice with regard to the applicable law. This because a free choice of law is contrary to the principles of property law, which rely on objective factors. Third parties must be able to foresee the applicable property law, which is difficult where any law could be chosen. Also, a free choice of law may lead to a situation in which many different laws are applicable to VCCs recorded in the same registry, which would undermine the registry's proper functioning.</p> <p>However, it was understood that parties retained the freedom to choose the law governing the account agreement, as permitted by the relevant regime relating to contractual obligations, which was not covered by the Principles.</p>

No.	HCCH EG interim proposal	UNIDROIT PIL sub-group response
3.	The proposal included an express reference to the UNFCCC and the Paris Agreement, through a provision providing that <i>'This Principle is without prejudice to, and shall be applied in conformity with, the United Nations Framework Convention on Climate Change, the Paris Agreement, and their related instruments and outcomes'</i> .	The PIL sub-group considered that the paramount role of the UNFCCC and the Paris Agreement, which was not limited to Principle 4, was better addressed earlier in the instrument, for example in the introduction.
4.	It was proposed that the Principle include express references to <i>ordre public</i> and to the overriding mandatory rules of the host State and other States.	<p>As suggested by the HCCH EG, a reference was included to the overriding mandatory rules of the host State. However, the PIL sub-group considered it necessary to also give the court of the registry the ability to verify if the rules of the host State were compatible with its own fundamental principles and with the international goal to protect the environment.</p> <p>In order to make it clear that Principle 4 did not affect the ability of the forum court to discard foreign laws and to apply overriding mandatory provisions, nor it endowed the courts with powers they were already vested with, it was deemed more appropriate to avoid prescriptive provisions and only state that the Principle does not prevent courts from wielding such powers.</p>
5.	<p>It was suggested that the Principle include a provision listing matters that were not covered by Principle 4, including:</p> <p>(a) those related to the carrying on of any underlying carbon mitigation project, including land-use, community rights, indigenous rights, or human rights, [related directly to that VCC];</p> <p>(b) the recognition of VCCs for compliance or regulatory purposes;</p> <p>(c) [applicable law in insolvency proceedings];</p> <p>(d) contractual rights and obligations arising from agreements relating to VCCs; and</p>	<p>This provision was moved up in the Principle since it related to scope. The PIL sub-group incorporated in the Principle:</p> <p>(a) those related to the carrying on of any underlying carbon mitigation project, including land-use, community rights, indigenous rights, or human rights, [related directly to that VCC];</p> <p>(b) the recognition of VCCs for compliance or regulatory purposes; and</p> <p>(d) contractual rights and obligations arising from agreements relating to VCCs.</p> <p>With respect to the proposed exclusion of applicable law in insolvency proceedings, the PIL sub-group adopted the proposal but rendered it more precise by clarifying that the law identified under Principle 4 would not govern substantive or procedural</p>

No.	HCCH EG interim proposal	UNIDROIT PIL sub-group response
	(e) other matters not directly relevant to proprietary matters.	<p>aspects of insolvency proceedings. At the same time, the draft was revised to also make it clear that the conflict-of-laws rule contained in Principle 4 should continue to apply after insolvency proceedings had been opened when it came to determining the existence of proprietary and security rights in a VCC. It was explained that any other rule would undermine legal certainty, damage investor interests and endanger the financing of the carbon market.</p> <p>With respect to (e), it was noted that this provision was not necessary and risked creating confusion. It was therefore not adopted.</p>
6.	It was suggested that Principle 4 include a paragraph providing that the Principle was <i>'subject to other applicable international and supranational frameworks, for example, in relation to the law applicable to security rights'</i> .	<p>The PIL sub-group noted that the reference to <i>'other applicable international and supranational frameworks'</i> was highly imprecise. Among other things, it left open which frameworks were meant to be included. Making the Principle subject to <i>any</i> other international framework undermined its importance and risked causing legal uncertainty.</p> <p>Further, while acknowledging the importance of the UNCITRAL Model Law on Secured Transactions, it was deemed useful to include an express provision on security rights in Principle 4 since the UNCITRAL Model Law had been drafted before the emergence of VCCs. In alignment with the UNCITRAL Model Law, the provision indicated the location of the grantor as the relevant connecting factor for the law applicable to security rights.</p>
7.	It was proposed that a provision be included clarifying that <i>'For the purposes of this Principle, "law" means the law of a State or the law of a territorial unit of a State. The application of such a law means the application of the rules of that law other than its rules of private international law'</i> .	This proposal was adopted with minor changes.

28. Following the third meeting of the HCCH EG (2 to 4 December 2025) and further discussion by the Working Group during its seventh session (17 to 19 December 2025), the draft instrument,

including Principle 4, were further revised on the basis of input provided by the HCCH EG, including by:

- Making express reference to *ordre public* and overriding mandatory rules;
- Expressly providing in the iterated Principle 4 that the legality of the underlying carbon mitigation project was governed by the law of the project host State. A corresponding reference was included in the iteration of Principle 10 concerning revocation, providing that the illegality of the project could constitute a ground for revocation, thereby leading to cancellation of the VCC, and in Principle 2 (adding as a constitutive element of a VCC the legality of the underlying carbon mitigation project);
- Including in the black-letter Principle express reference to '*the United Nations Framework Convention on Climate Change, the Paris Agreement, and any related instruments and outcomes*'.

29. On 17 March 2026, the HCCH PB shared with the Secretariat an anonymised compilation of the comments on the VCC Principles received from individual experts participating in the HCCH EG. These comments were considered by the Working Group at its eighth session and by the Drafting Committee in its iteration of Principle 4.

30. In response to discussions at the latest Working Group session, draft Principle 4 has been further iterated, including, *inter alia*, as follows:

- The suggestion of an HCCH EG member to refer in Principle 4(2)(a) to '*rights and interests in the land and the natural resources*' rather than '*land use*' was incorporated;
- The proposed revision of the UNFCCC to Principle 4(10) as shared by the HCCH PB was adopted in full, with the paragraph now providing that '*This Principle is subject to , and shall be interpreted and applied in in a manner that does not conflict with with, Parties' obligations under the United Nations Framework Convention on Climate Change, the Paris Agreement, and any related instruments and outcomes, where applicable*'.
- Paragraph 10 providing that the legality of the underlying carbon mitigation project was governed by the law of the project host State was removed from Principle 4. Instead, the concept of illegality and the safeguards raised by the HCCH EG are now addressed through the inclusion of a separate principle providing that the effect of illegality on a VCC is a matter of other law (see below *Illegality* section). The commentary to Principle 4 has been amended to note that, since Principle 4 (as the rest of the Principles), addresses aspects of private law relating to the VCC itself, it does not concern matters relating to the carrying out of any underlying GHG mitigation project, nor the legality or the effects of any illegality relating to the GHG mitigation project or to the creation of VCCs, which are matter of other law. The question of which authority has the task or jurisdiction to assess illegality apart from the crediting body is also a matter of other law.

Section III: Creation and Transfer

31. Draft Principle 5(1) addresses the creation of a VCC, providing that a VCC comes into existence when a unique identifier has been allocated to the VCC and credited to an account in the registry. Draft Principle 5(2) provides that when a VCC first comes into existence, the person to first have a proprietary right in the VCC is either the registered holder of the VCC or, in cases of custodial arrangements, the person for whom the registered holder maintains the VCC.

32. Following discussions at the last Working Group, the commentary to Principle 5 has been expanded to note that the VCC represents a mitigation outcome that exists as a result of events that have taken place before the VCC is created. Thus, the VCC Principles concern aspects of private law relating to the VCC itself, rather than the application of legal rules to the events before the VCC is created, which is a matter for other law as defined within the Principles.

33. Draft Principle 6(1) and 6(2) establish the *nemo dat* and 'shelter' rules. These provisions are, however, qualified by draft Principle 7, which provides for the protection of innocent acquirers. The Working Group agrees that an innocent acquisition rule is needed to allow the market to scale. This is because in the absence of an innocent acquisition rule, the *nemo dat* rule would normally apply unexempted in the context of intangibles. Unexempted application of the *nemo dat* rule would be particularly burdensome in the case of VCCs, particularly when purchasing VCCs on the secondary market after the VCCs had been traded multiple times. The lack of protection for innocent acquirers could deter potential buyers from participating in transactions, fearing hidden claims against VCCs, especially in a cross-border context where legal systems vary. By prioritising the innocent acquirer's rights, the rule creates a robust and predictable framework for VCC trading, encouraging investment and liquidity in the market.

34. Under draft Principle 7(4), to qualify as an innocent acquirer a transferee must (i) acquire the VCC from a transferor who is the registered holder for that VCC; (ii) have the VCC credited to their registry account by the VCC registry operator; and (iii) comply with the requirements specified by the relevant State (that is, the State whose domestic law is the applicable law).

Section IV: Retirement and Cancellation

35. At the eighth Working Group session, it was agreed that Principle 11 on retirement should be addressed separately to cancellation. This to support the distinction between retirement, which marks the natural end of the life cycle of a VCC, and cancellation, which generally indicates that an issue has arisen in relation to the VCC.

36. A VCC that has been retired or cancelled ceases to be capable of being the subject of a proprietary right. Thus, upon retirement or cancellation, a VCC registry must not comply with any instruction to transfer or retire the VCC and must record the VCC as cancelled. As amended following the last Working Group session, the categories of events that can lead to a VCC's cancellation include (i) reversal; (ii) revocation; (iii) voluntary cancellation; or (iv) a catch-all 'in accordance with other law' (see below *Illegality* sub-section).

37. Draft Principle 9 addresses the reversal of a VCC. Cancellation for reversal occurs when the benefits of a GHG mitigation project have been compromised post-issuance (for example, where CO₂ that had been captured has escaped into the atmosphere). Draft Principle 9(5) provides for a waterfall scheme for the cancellation of VCCs with the default rule adopting the general property law rule of *pro rata* sharing of losses. Principle 9(6) provides for a waterfall scheme for the cancellation of VCCs across several carbon mitigation projects where a reversal affects several projects but it is unclear which project is affected and which is not.

38. Draft Principle 10 addresses the revocation of a VCC. Cancellation for revocation deals with matters leading up to issuance *i.e.*, where it is subsequently demonstrated that the VCC did not meet the definition of a VCC at the time it was created. Cancellation for revocation thus occurs where it is subsequently shown that the benefits of a carbon mitigation project were never achieved in the first place and no remediation has occurred. Draft Principle 10(3) provides that a revoked VCC is void from the outset and was never the subject of proprietary rights. Draft Principle 10(8) seeks to address concerns about the special precarity of VCCs. If, through the advance of scientific knowledge, it is discovered that a VCC did not achieve the reduction in environmental benefits, instead of cancellation *ab initio*, revocation ought to treat the cancellation as effective from the time the VCC registry makes

an entry of cancellation. Such cancellations would in effect be prospective rather than retrospective and similar to Principle 9 rather than Principle 10.

39. Draft Principle 11 now refers to 'voluntary cancellation', providing in part that '*The registered holder of a VCC, or a user authorised by the registered holder in relation to a VCC, can instruct the VCC registry to cancel a VCC*'. Voluntary cancellation is distinct from retirement. It could, for example, apply where the VCC is to be transferred to another registry (see *Registry* sub-section below). In such instances, the current market practice is to cancel the VCC and re-issue it under the rules of a different crediting body. To call such a process 'retirement' would be misleading since the holder would not then be able to 'claim' the environmental benefit until it retired the replacement VCC.

Section Y: Illegality

40. In response to feedback from the HCCH EG (see *Applicable law* sub-section above), the Working Group had considered addressing the illegality of the underlying climate mitigation project also in Principle 2 (definitions) and Principle 10 (revocation). Following focused discussion, however, the Working Group agreed that it would not be appropriate to include a pre-condition of legality as a constitutive element of the definition of a VCC. The Working Group also agreed to delete project illegality as an express ground for revocation under Principle 10(1). This because the Principles address aspects of private law relating to the VCC itself, and do not concern matters relating to the carrying out of any underlying GHG mitigation project, nor the legality or the effects of any illegality relating to the GHG mitigation project or to the creation of VCCs, which are matter of other law.

Instead, it was proposed that illegality be addressed: (i) through the inclusion of a fourth reason for cancellation '*in accordance with other law*', this being a catch-all for when a court of competent jurisdiction orders cancellation for reasons other than those stated in Principle 8, thus including illegality and other possible grounds; and (ii) a separate provision providing that the effect of illegality on a VCC is a matter of other law. Item (ii) has now been included in the draft instrument in a new section as Principle Y. The commentary highlights the complexity of the question (i.e., that it depends on a number of factors, including what the outcome is in terms of property, which law applies, what that law provides, what the illegality is, etc.) without offering conclusions. Further, the commentary specifies that, when carrying out the verification process, a validation and verification body (VVB) would normally consider whether a GHG mitigation project and/or the creation of VCCs in the relevant circumstances were illegal under the law of the project host State, and would include the results of this consideration in the verification statement resulting from that process. It would indeed be best practice for a crediting body to require consideration of these matters by a VVB as part of the verification process.

Section V: Registry

41. Draft Principles 12 and 13 cover matters relating to VCC registries. Draft Principle 12 addresses definitions. Draft Principle 12(1) defines a VCC registry as an electronic database operated by a registry operator which records the unique identifier of a VCC or a block of VCCs and the identifier of the person to whose account that VCC (or block of VCCs) is credited.

42. Draft Principle 13 addresses the minimum private law duties owed by a registry operator to a registered holder that cannot be excluded by agreement. These are duties that need to be present in order for the system as provided under the Principles to function. Following discussion at the last Working Group session, Principle 13 specifies that (a) the registry rules must provide certain minimum duties; (b) the registry rules must be incorporated in the account agreement with the registered holder; and (c) such duties cannot be contractually excluded. This because the account holder needs those duties to be there for the system to function, even if the duties do not concern the activities of the account holder.

43. Principle 13(2) sets out the minimum duties to be included in the rules. These include:
- an obligation to comply with the registry rules;
 - an obligation to allocate a unique identifier to the VCC and to maintain one, and only one, registry entry in relation to that VCC at any one time;
 - an obligation to maintain adequate records in relation to certain enumerated matters (i.e., creation of the VCC, credits and debits in relation to the VCC, retirement of the VCC and/or cancellation of the VCC);
 - an obligation to comply with any instruction given by a registered holder or a user authorised by the registered holder in relation to the credited VCC, except under certain specific exceptions;
 - an obligation to comply with an instruction given by any person in accordance with the registry rules or the rules of the relevant crediting body to create a VCC by crediting that VCC to an account in accordance with Principle 5;
 - an obligation to comply with any instruction from the registered holder or the relevant crediting body, or a legally binding order of a court or other competent authority to either cancel a VCC for reversal or revocation;
 - an obligation not to comply with any instruction to cancel a VCC for reversal or revocation that does not fall within paragraph 2(f); and
 - an obligation not to comply with any instruction given by the registered holder or a user authorised by the registered holder to move, retire or otherwise use a retired or cancelled VCC.
44. Principle 13 further states that, subject to limited exceptions, a registry operator has no proprietary right in a VCC credited to an account of a registry account holder in the registry it operates, a VCC registered in a VCC registry is not available for the satisfaction of claims of creditors of the registry operator, and if a registry operator enters into an insolvency-related proceeding, a VCC registered in that registry does not form part of that registry operator's assets available for distribution to its creditors.
45. The Working Group agreed that requirements relating to recovery plans, reorganisation or orderly dissolution, fall within the domain of regulation rather than private law principles. Such matters were therefore considered more appropriate for inclusion in the commentary and left to national regulatory frameworks.
46. Principle 13(6) addresses the movement of a VCC between registries. It clarifies that if a VCC is moved from one registry to another but continues to be governed by the same rules of the same crediting body that governed that VCC from the time of its creation, then that VCC continues to exist. If, however, a VCC is moved from one registry to another and does not continue to be governed by the same rules of the same crediting body that governed that VCC from the time of its creation, then (i) that VCC ceases to exist at the time at which it is moved; and (ii) a new VCC is created at the time of the credit in the account of the new registry, if the VCC meets the definition of a VCC in Principle 2(1).

Section VI: Custody

47. The draft Principles set out private law principles relevant to custody of VCCs. Draft Principle 14 covers definitions. Custody, broadly speaking, is where a person known as a 'custodian' (usually

a legal person, which may be a regulated entity), maintains a VCC on behalf of and for the benefit of another person called a 'client' in the ordinary course of business. The client might be another custodian. The VCC is maintained by the custodian in a manner that gives the client special protection against unauthorised dispositions of the VCC and against the insolvency of the custodian who maintains the VCC.

48. Draft Principle 15 addresses the private law duties owed by a custodian to its client that cannot be excluded by agreement. These include: (a) an obligation to safeguard the VCC; (b) a prohibition to instruct the registry operator to move the VCC to the account of another person except to the extent permitted by the client and other law; and (c) an obligation to comply with an instruction given by the client to instruct the registry operator to move the VCC to the account of another person, with certain limited exceptions.

49. Draft Principle 16 is an adaptation of the innocent acquisition rule tailored to the context in which a person acquires VCCs through a custodian. It addresses the situation in which a client is the transferee of a VCC, and the VCC is credited to or maintained in an account by the custodian under a custody agreement. In such cases, Principle 16 provides that the client is protected from proprietary claims brought by third parties whose rights were infringed by the transfer.

50. Finally, draft Principle 17 addresses the insolvency of a custodian. It provides that a VCC maintained by a custodian for a client is not available for the satisfaction of claims of creditors of the custodian. Thus, if a custodian enters into an insolvency-related proceeding, a VCC maintained by a custodian for a client does not form part of that custodian's assets available for distribution to its creditors. Likewise, if a custodian maintains a VCC for a client with a sub-custodian, and the custodian enters into an insolvency-related proceeding, the rights it has against the sub-custodian in respect of that VCC do not form part of the custodian's assets available for distribution to its creditors.

Section VII: Secured transactions

51. Draft Principle 18 is an extension of Principle 3(1) (providing that VCCs can be the subject of proprietary rights). Since security rights are a subset of proprietary rights, it follows that VCCs can also be used as collateral in secured transactions, just like other types of movable assets. The draft Principles take a minimally invasive approach, introducing asset-specific rules in Principles 19, 20, and 21 to address the distinctive features of VCCs. The aim is to facilitate the integration of VCCs into existing secured transactions regimes without causing unnecessary disruption to well-functioning legal frameworks.

52. Draft Principle 19 establishes that, in addition to any other methods of third-party effectiveness that apply to a security right in a VCC under other law, a State should recognise that a security right in a VCC may be made effective against third parties upon the secured creditor becoming the registered holder of the VCC pursuant to an agreement between the grantor and the secured creditor. Draft Principle 20 establishes that, in addition to any other methods of third-party effectiveness that apply to a security right in a VCC under other law, a State should recognise a "control agreement" as a method to make a security right in a VCC effective against third parties.

53. Draft Principle 21 addresses priority conflicts between secured creditors that have made their security rights effective against third parties through the methods specified in Principles 19 or 20 (crediting to a securities account or control agreement), while another secured creditor has used alternative methods recognised by other applicable law (such as registration). The draft Principle establishes a non-temporal priority rule: the secured creditor using the Principle 19 or Principle 20 methods will have priority even if these steps were taken after another creditor had already made its security right effective against third parties through registration or other means.

54. Draft Principle 22 concerns legal rules governing enforcement of security rights in VCCs. It explicitly defers to other law and does not prescribe specific enforcement methods for security rights in VCCs. Principles 22(2) and 22(3) address the specific requirements for enforcement where the VCC used as collateral is held through a custodian or by the grantor as registered holder, respectively.

Section VIII: Insolvency

55. Draft Principle 23 concerns the effect of insolvency on a proprietary right in a VCC. Principle 24(1) confirms that a proprietary right in a VCC which is effective against third parties is effective against relevant parties in an insolvency proceeding. This follows from Principle 3(1) which provides that a VCC can be the subject of proprietary rights and means that that a person who has a proprietary right in a VCC can assert that right against third parties, if it has been made effective against third parties.

56. Principle 23(2) indicates that Principle 23(1) does not affect the application of any substantive or procedural rule of law applicable by virtue of an insolvency-related proceeding, such as any rule relating to: (a) the ranking of categories of claims; (b) the avoidance of a transaction as a preference or a transfer in fraud of creditors; or (c) the enforcement of rights to an asset that is under the control or supervision of the insolvency representative.

Tokenisation Annexe

57. Following an intersessional expert meeting which took place on 3 April 2026, the Working Group considered at its eighth session in April 2026 the development and scope of an annexe to the VCC Principles addressing the topic of tokenisation (the 'Tokenisation Annexe').

58. The VCC Principles are deliberately drafted to be technology-neutral so to accommodate a range of technological implementations, from a hybrid paper-electronic ledger to a database stored in the cloud, to a system operating on distributed ledger technology, without requiring amendment as technology evolves. The purpose of the Tokenisation Annexe is to clarify the range of legally distinct scenarios that are covered by the term 'tokenisation' and address their relationship to the VCC Principles.

59. For purposes of discussion at the eighth session of the Working Group, Prof. Andrea Tosato, a member of the Working Group and of the Drafting Committee, prepared a Memorandum on the Scope and Direction and of the Tokenisation Annexe (the 'Tokenisation Memo'). The Tokenisation Memo presented four distinct tokenisation scenarios for the Working Group to consider:

- Scenario One: refers to permissioned DLT as registry infrastructure. It describes a class of arrangements in which a VCC registry operator elects to build and operate its registry infrastructure on a permissioned distributed ledger system. Scenario One is thus a technology substitution. The tokens are purely evidentiary in character. They record the state of the registry; they do not embody anything. A VCC recorded in a permissioned DLT registry remains a pure intangible, as defined in the Principles.
- Scenario Two: refers to a token representing contractual rights connected to a VCC. In this scenario, a token, being a data entry in a distributed ledger system whether permissioned or public, is created not as a technological choice for recording registry information, but for the distinct purpose of representing rights connected to an underlying VCC. The VCC continues to exist as a pure intangible satisfying the requirements of the Principles. The token is a separate asset, and the question is what legal significance, if any, is to be accorded to the relationship between the two.
- Scenario Three: concerns the situation in which a token, being a data entry in a distributed ledger system whether permissioned or public, is created to embody

proprietary rights in an underlying VCC. The token is the vehicle by which proprietary rights in the VCC are transferred. This scenario would require the construction of a new property rule that establishes a legally operative link between a digital asset (the token) and a separate intangible asset (the VCC), and that provides that a transfer of the token effects a transfer of the proprietary interest in the VCC. Such a rule would also need to address the conditions under which the token may be used to effect the retirement of the underlying VCC.

- **Scenario Four:** refers to VCCs created or managed outside the intermediated structure of the Principles. Scenario four envisions a model in which VCCs are natively created as tokens on a decentralised public distributed ledger and their entire lifecycle (creation, transfer, retirement, cancellation) is carried out on-chain, with the functions that the Principles assign to registry operators and crediting bodies performed by smart contracts or automated software protocols. The defining characteristic of Scenario Four is not just the choice of technological platform. Its distinguishing feature which places it outside the scope of the Principles, is the absence of the intermediaries upon which the Principles rely, or the substitution of a fundamentally different intermediary structure.

60. At the eighth session of the Working Group, it was generally understood that Scenario One and Scenario Two would not require changes to the Principles and could instead be addressed in the Annexe through focused discursive analysis. If, however, the Working Group decided also to address Scenario Three, then it was suggested that the Tokenisation Annexe should have an 'operative' role to ensure that there was no substantive discrepancy between the provisions in the Principles for non-tokenised VCCs and what was established for tokenised VCCs. This would likely entail the introduction of substantive principles to allow for a digital asset to represent the proprietary interests in a VCC and for those rights to be transferred by transferring the token.

61. It was generally agreed that Scenario Four fell outside the scope of the Principles because it cut out the very intermediaries upon which much of the structure of the Principles was built upon. It was further suggested that the products developed under Scenario Four not be referred to as 'VCCs', since they did not meet the Principles' definition of a VCC. It was agreed that Scenario Four would be described in the Annexe, which would explain the reasons why it fell outside the scope of the Principles.

62. The Tokenisation Annexe is expected to be finalised following the completion of the VCC Principles; if not ready by the end of 2026, work on the Tokenisation Annexe may need to carry over to 2027.

V. CONSULTATIVE COMMITTEE

63. In August 2024, Member States were invited to nominate experts to join a Consultative Committee. On 28 February 2025 the Consultative Committee was formally established. Chaired by Ms Sharon Ong, Member of the UNIDROIT Governing Council and Director-General, Ministry of Law of Singapore, the Committee is made up of 31 experts appointed by 20 UNIDROIT Member States.¹⁰ The main objective of the Consultative Committee is to provide the Working Group with advice,

¹⁰ Committee members have been appointed by Austria, Brazil, Canada, Chile, China, Czech Republic, Finland, France, Germany, Iran, Italy, Japan, Mexico, Mongolia, Pakistan, Russian Federation, Saudi Arabia, Singapore, Türkiye, and United States of America.

comments, and relevant information from a domestic and/or regional perspective as the work on the future instrument evolves.

64. To date, the Secretariat has sought the input of the Consultative Committee on three occasions:

- On 10 July 2025: the Secretariat shared the draft VCC Principles with the Consultative Committee and invited the Committee Members to provide input by way of written comments and amendment proposals. In response, the Secretariat received 11 sets of comments submitted by the appointees of 10 Member States: Austria, Canada, Chile, Finland, Italy, Pakistan, the Russian Federation, Saudi Arabia, Singapore, and Türkiye. The comments were collected and consolidated by the Secretariat and presented to the Working Group by the Chair of the Consultative Committee during the sixth session of the Working Group held from 10 to 12 September 2025.¹¹ The Committee's comments were then considered intersessionally by the Drafting Committee and, under the guidance of the Chair of the Consultative Committee, were further discussed by the Working Group during its seventh session held from 17 to 19 December 2025.¹²
- On 31 October 2025: the Secretariat shared a proposed iteration of draft Principle 4 on applicable law with the Consultative Committee and invited the Committee Members to provide input by way of written comments and amendment proposals. On 14 November 2025, the Secretariat shared the Committee's comments with the Permanent Bureau of the HCCH (the 'HCCH PB') on a non-attributed basis, together with the initial responses prepared by the drafters of Principle 4.¹³
- On 16 February 2026: the Secretariat shared with the Consultative Committee a further iteration of the draft VCC Principles, which had been revised on the basis of the Consultative Committee's comments, feedback from the HCCH Experts' Group on Carbon Markets, and the Working Group's deliberations at its sixth and seventh sessions. The Consultative Committee was asked to provide written input for the Working Group's consideration. In response, the Secretariat received comments submitted by the appointees of 5 Member States: Brazil, Canada, China, Saudi Arabia, and Singapore. Under the guidance of the Chair of the Consultative Committee, the comments were considered at by the Working Group at its eighth session from 15 to 17 April 2026 and by the Drafting Committee when producing the current iteration of the draft VCC Principles.

VI. UPDATE OF THE UNCITRAL/UNIDROIT JOINT STUDY ON THE LEGAL NATURE OF VERIFIED CARBON CREDITS ISSUED BY INDEPENDENT CARBON STANDARD SETTERS

65. The UNCITRAL/UNIDROIT Joint Study on the Legal Nature of Verified Carbon Credits Issued by Independent Carbon Standard Setters (the UNCITRAL/UNIDROIT Joint Study) was first presented to the UNCITRAL Commission in June and July 2024.¹⁴ On that occasion, the Commission requested that the UNCITRAL secretariat circulate the UNCITRAL/UNIDROIT Joint Study to all States Members

¹¹ For a summary of the Working Group's deliberations at its sixth session see [Study LXXXVI – W.G.6 – Doc. 5](#) – Summary Report.

¹² For a summary of the Working Group's deliberations at its seventh session see [Study LXXXVI – W.G.7 – Doc. 6](#) – Summary Report.

¹³ See [Study LXXXVI – W.G.7 – Doc. 2 rev.](#) – Secretariat's Report at paras 40-44.

¹⁴ The UNCITRAL/UNIDROIT Joint Study was also shared with the Governing Council in advance of its 103rd session. See [UNIDROIT – C.D. \(103\) 11](#).

of the United Nations and give them sufficient time to provide the secretariat with their technical and editorial comments.¹⁵

66. At its fifty-eighth session, in 2025, the UNCITRAL Commission considered a revised study¹⁶ and compilation of comments received.¹⁷ The Commission expressed appreciation to the secretariats of UNCITRAL and UNIDROIT, welcomed the contributions of States and organisations and noted the study's value in identifying legal issues relating to verified carbon credits. The Commission requested the UNCITRAL secretariat to prepare a revised version of the study, which would reflect the relevant deliberations of the Commission, incorporate the technical comments received and include in an annexe the policy-related comments received. The Commission also requested that the study be made available on the Commission's website in the six official languages of the United Nations.¹⁸

67. On 9 April 2026, the UNCITRAL secretariat shared the revised version of the UNCITRAL/UNIDROIT Joint Study with the UNIDROIT Secretariat. In response, on 30 April 2026 the UNIDROIT Secretariat provided minimal comments for the consideration of the UNCITRAL secretariat. Publication of the UNCITRAL/UNIDROIT Joint Study on the UNCITRAL website will conclude UNCITRAL's work on the legal nature of VCCs.

VII. PROPOSED NEXT STEPS

68. It is proposed that the Governing Council authorises the Secretariat to undertake a public consultation to seek wide feedback on the current draft instrument (minus the Tokenisation Annexe, which is currently in progress). The purpose of the public consultation would be to: (i) raise awareness about the instrument; (ii) ensure that the instrument is well-suited to application in different contexts, including both civil law and common law jurisdictions, as well as developing economies, emerging markets and developed economies; (iii) seek feedback from relevant stakeholders on whether the instrument sufficiently addresses the issues that arise under existing legal and commercial frameworks; and (iv) solicit comments on the draft instrument itself.

69. As consistent with UNIDROIT practice, the public consultation is expected to include: (i) the creation of a dedicated webpage on the UNIDROIT website that allows interested parties to access the draft instrument and provide comments; (ii) direct circulation of the draft instrument to interested parties, including UNIDROIT stakeholders, project stakeholders and industry stakeholders; and (iii) the organisation of consultation events to discuss the content of the draft instrument with stakeholders.

70. As noted above, the draft instrument that has been enclosed to this document reflects the revisions of the Drafting Committee in response to the changes agreed upon during the eighth session of the Working Group, which took place from 15 to 17 April 2026. Revisions to the definition of a VCC (Principle 2) in light of the content of the cancellation principles are still under consideration. The Secretariat is planning to convene a remote abridged session of the Working Group in June 2026, after which the Principles may be further revised before the launch of any public consultation, if authorised by the Governing Council, in July 2026.

71. Contemporaneously with the public consultation, the Secretariat would once again share the iterated instrument with the Consultative Committee for its review and consideration.

¹⁵ See Report of the United Nations Commission on International Trade Law, Fifty-seventh session (24 June-12 July 2024), available at <https://docs.un.org/en/A/79/17>.

¹⁶ [A/CN.9/1191/Rev.1](#).

¹⁷ [A/CN.9/1216](#) and [A/CN.9/1216/Add.1-3](#).

¹⁸ [A/80/17](#), para. 156.

72. The Working Group would then consider the feedback from the public and Member State consultations at the session scheduled to take place from 14 to 16 October 2026.

73. An oral update on the status of such revisions will be provided to the Governing Council during its 107th session. The Secretariat will make the revised instrument available to the Governing Council members upon request.

VIII. ACTION TO BE TAKEN

74. *The Governing Council is invited to take note of the status and development of the project. The Governing Council is invited to consider the submitted draft instrument and to authorise the Secretariat to proceed with open consultations of the draft instrument as further revised by the Working Group and Drafting Committee.*

ANNEXE

**DRAFT UNIDROIT PRINCIPLES
ON THE LEGAL NATURE OF VERIFIED CARBON CREDITS**

**UPDATED FOLLOWING THE EIGHTH SESSION OF THE WORKING GROUP (15 – 17 APRIL
2026), FOR CONSIDERATION BY THE UNIDROIT GOVERNING COUNCIL**