



INTERNATIONAL INSTITUTE FOR THE UNIFICATION OF PRIVATE LAW
INSTITUT INTERNATIONAL POUR L'UNIFICATION DU DROIT PRIVE

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**UNIDROIT Working Group on the
Legal Nature of Verified Carbon Credits
Tenth session (hybrid)
Rome, 14-16 October 2026**

UNIDROIT 2026
Study LXXXVI – W.G.10 – Doc. 3
English only
October 2026

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

CONSULTATION FEEDBACK

(prepared by the UNIDROIT Secretariat)

TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	SUMMARY TABLE OF SUBMISSIONS	7
III.	CATEGORISED COMMENTS	10
A.	General	10
B.	Introduction	44
C.	Section I: Scope and Definitions (Principles 1-3)	126
D.	Section II: Private International Law (Principle 4)	200
E.	Section III: Creation and Transfer (Principles 5-7)	255
F.	Section IV: Retirement and Cancellation (Principles 8-12)	279
G.	Section V: Illegality (Principle 13)	339
H.	Section VI: Registry (Principles 14-15)	352
I.	Section VII: Custody (Principles 16-19)	375
J.	Section VIII: Secured Transactions (Principles 22-24)	389
K.	Section IX: Insolvency (Principle 25)	407

I. INTRODUCTION

1. This document includes an overview of the comments received by the UNIDROIT Secretariat in response to the public consultation on the draft UNIDROIT Principles on the Legal Nature of Verified Carbon Credits (the VCC Principles). The consultation was launched on 13 July 2026 through a dedicated [consultation page](#) and remained open for 10 weeks, until 21 September 2026.

2. The purpose of the consultation was to:

- Encourage the participation of a wide range of public and private stakeholders from across the geographical spectrum in the final stage of the drafting process.
- Raise awareness about the instrument.
- Seek stakeholders' feedback on whether the instrument adequately addresses the current legal issues and relevant practical aspects arising from the trade in verified carbon credits (VCCs).
- Ensure that the instrument provides a balanced legal framework from a commercial and a property law perspective.
- 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.

3. Feedback was welcomed from all interested parties. In light of the technical content of the instrument and considering the array of public and private interests involved, comments were especially welcome from the following stakeholders:

- States and governmental bodies, including State entities;
- International and supranational organisations;
- International Financial Institutions, including Multilateral and Regional Development Banks;
- Chambers of commerce and business and industry associations;
- Non-Governmental Organisations, with special regard to those working on issues related to carbon markets and VCCs;
- Bodies and associations representing local communities, including Indigenous Peoples;
- Carbon market participants, including project proponents and developers, financiers, crediting bodies, validation and verification bodies, and VCC registries;
- Academics and think tanks, in particular experts and institutions focusing on legal and policy aspects of carbon markets and VCCs.

4. The full draft instrument was made available in English. The draft black-letter Principles were also made available in French. Respondents were strongly encouraged to read the full instrument, including the black-letter Principles and the commentary, and to consider the draft instrument in its entirety. Respondents were allowed to provide feedback on any part of the draft instrument. Language indicated in the draft instrument in highlighted square brackets indicated options that were

pending the Working Group's consideration. Respondents were encouraged to consider and comment on such options in their feedback.

5. Respondents could submit comments in either English or French via email to the UNIDROIT Secretariat at VCC-consultation@unidroit.org. Respondents were asked to submit their feedback in a Word document or equivalent open access text editor using the specifically-designed template. The consultation webpage indicated that comments received during the consultation process would be made public, and that the name of respondents would be made public unless expressly requested otherwise.

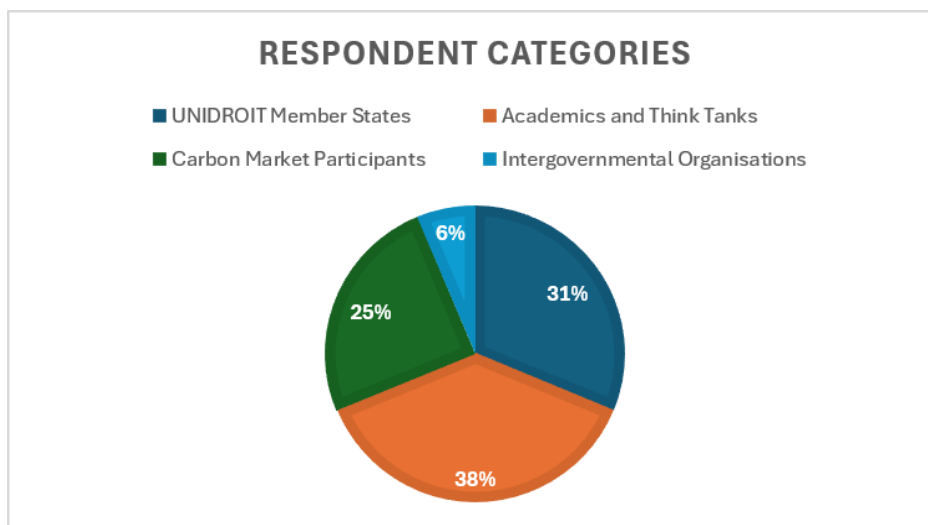
6. To encourage participation to the consultation, the Secretariat:

- Invited the Members and Observers of the Working Group to promote the consultation to interested parties amongst their networks. In particular, the Secretariat sought the guidance and assistance of Working Group Members and Observers in engaging Sharia law and Islamic finance experts, as well as representatives of Indigenous Peoples.
- Invited UNIDROIT Governing Council members to provide feedback and to encourage relevant experts from both the public and private sectors in their jurisdictions to participate actively in the consultation.
- Invited all UNIDROIT Member States to submit comments on the draft instrument as part of the public consultation.
- Invited all UNIDROIT Correspondents to consider submitting comments or encourage relevant stakeholders to submit comments, and to circulate the consultation information amongst their professional networks.
- Shared details of the consultation with the UNIDROIT Foundation Board Members and the UNIDROIT Alumni Association.
- Shared details of the consultation with the participants to the 2026 Africa Plus edition of the UNIDROIT International Programme for Law and Development.
- Invited targeted stakeholders—including international organisations, multilateral and regional development banks, non-governmental organisations, carbon market participants and academic institutions—to contribute to the consultation.
- Presented the draft VCC Principles to the Financial Reform Committee of the International Swaps and Derivatives Association (ISDA). The online event included over 100 participants from across ISDA's membership, including representatives from leading financial institutions, development banks, trading firms, international law firms, rating agencies and exchanges. Participants were encouraged to engage in the consultation and provide feedback on the draft instrument.
- Presented the draft VCC Principles at a high-level meeting with private sector representatives concerning the strengthening of legal frameworks for carbon markets in emerging economies organised by the World Bank Group during the 2026 London Climate Action Week.

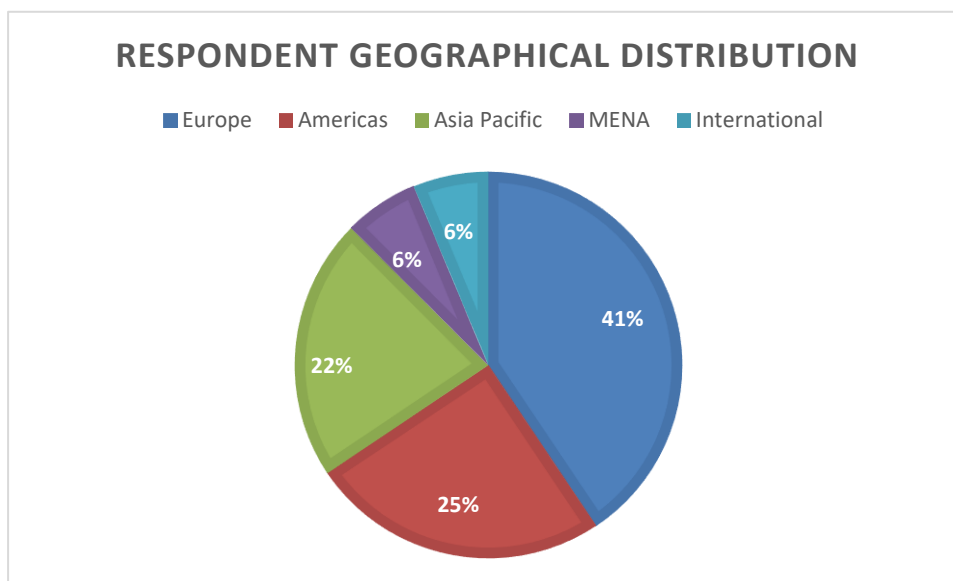
7. In total, the UNIDROIT Secretariat received 32 submissions, consisting of 476 comments.¹

¹ This does not include the submissions made by observers to the Working Group and members of the Consultative Committee. The Secretariat received comments from seven organisations that participate in the Working Group as institutional observers (the Hague Conference on Private International Law, the Asian

8. The responses were provided by a wide range of stakeholders including UNIDROIT Member States (31.25%), academics and think tanks (37.5%), carbon market participants (25%) and intergovernmental organisations (6.25%).

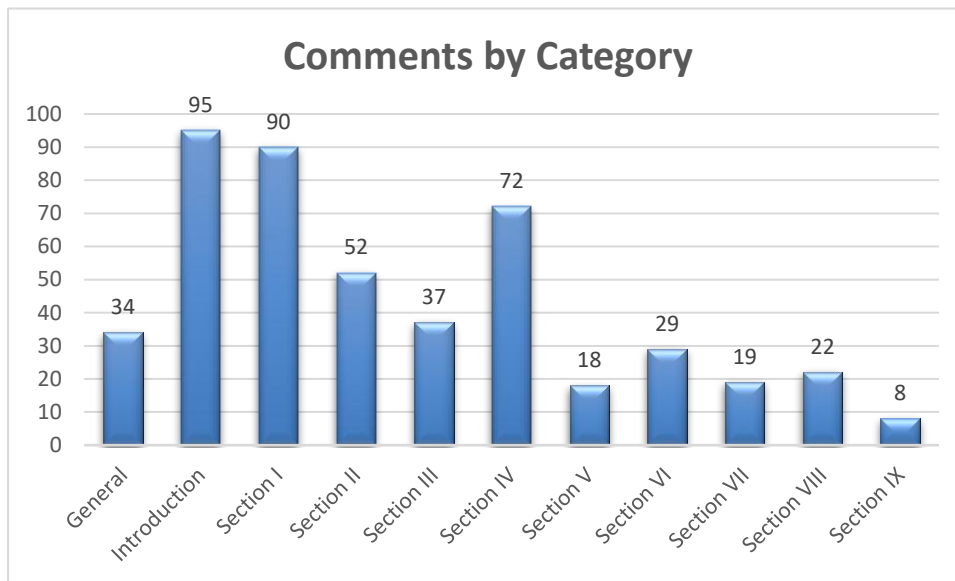


9. In terms of geographical distribution, most of the respondents were from Europe (40.6%), followed by the Americas (25%), Asia Pacific (21.9%), MENA (6.25%) and international (6.25%).



Development Bank, the Global Carbon Market Utility, Climate Action Reserve, IETA, ISDA, and Verra) and one individual observer. The Secretariat also received comments from the appointees of Canada, Chile and Singapore to the Consultative Committee.

10. Most comments were received in relation to the Introduction (20%), followed by Section I (Scope and Definitions) (19%) and Section IV (Retirement and Cancellation) (15%).



11. Part II of this document includes a summary table setting out the 32 submissions received. Part III includes the comments categorised first by Section and paragraph number or Principle and then in alphabetical order (first by Member State and then all other respondents). Where a submission included substantive comments that could not be fully incorporated in the table in Part III of this document, those submissions have been included in full in the addendum to this document (see *Study LXXXVI - W.G.10 - Doc. 3 Add. – Addendum*).

II. SUMMARY TABLE OF SUBMISSIONS

#	Respondent	Name/Title/Organisation	Country
UNIDROIT Member States			
1	Government of Brazil	Ministry of Foreign Affairs	Brazil
2	Government of China		China
3	Government of Colombia	Technical and Legal Team of the Directorate for Climate Change and Risk Management (DCCGR) of the Ministry of Environment and Sustainable Development	Colombia
4	Government of Germany		Germany
5	Government of Luxembourg	Mr Alexander FELDMANN / Ms Claudia HITAJ Ministry of Environment, Climate and Biodiversity	Luxembourg
6	Government of Pakistan	Ministry of Law and Justice	Pakistan
7	Government of the Russian Federation	Ms Vera Korytova Deputy Head of Division, Legal Department, Ministry of Economic Development	Russian Federation
8	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
9	Government of the United Kingdom	Ms Zoe Norgate Deputy Director, Green Finance & Capability, Department for Energy Security & Net Zero	United Kingdom
10	Government of Uruguay	Directorate of International Law Affairs, Ministry of Foreign Affairs	Uruguay
Intergovernmental Organisations			
11	International Centre for Settlement of Investment Disputes (ICSID)		International
12	Islamic Development Bank (IsDB)	<i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	International
Carbon Market Participants			
13	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

#	Respondent	Name/Title/Organisation	Country
14	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	United States of America
15	GenZero	Ms Sim Ting Head, Corporate Services Group and General Counsel	Singapore
16	Mr Ingo PUHL	Chief Executive Officer, GaiaSwap Pte. Ltd. <i>Comments provided in a personal capacity</i>	Singapore
17	South Pole	Mary GILMORE-MAURER Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom
18	Sustainable Development Strategies Group (SDSG)		United States of America
19	TotalEnergies SE	Mr Cyril Vock Head of Low Carbon Regulatory Affairs and Advocacy, Direction Juridique, Exploration & Production Branch	France
20	The World Federation of Exchanges	Rona Nairn, Manager, Regulatory Affairs Victoria Powell, Senior Manager, Regulatory Affairs Richard Metcalfe, Head of Regulatory Affairs Nandini Sukumar, Chief Executive Officer	United Kingdom
Academics and Think Tanks			
21	American Association of Private International Law (ASADIP)		Americas
22	Ms Viola CAPPELLI	PhD, Postdoctoral Researcher in Private Law, Sant'Anna School of Advanced Studies	Italy
23	Ms Milena COLOMBO	MSc candidate at Trinity College Dublin	Brazil

#	Respondent	Name/Title/Organisation	Country
24	Ms Holly FRETWELL	Conservation Economist, Visiting Fellow, Hoover Institution, Stanford University Research Fellow, PERC	United States of America
25	International and Comparative Law Research Center (ICLRC)	Lyudmila Novoselova Science Advisor on Private Law	Russian Federation
26	Dr Injy JOHNSTONE	Max Planck Institute for Innovation and Competition	Germany
27	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye
28	Dr LE Xuan Tung, Principal Researcher Ms NGUYEN Vu Ngoc Mai, Research Intern	International Law Division, Institute for Legal Strategy and Science, Vietnam <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any other organisation or authority</i>	Vietnam
29	Mr Axel MICHAELOVA	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
30	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain
31	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemanee, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India
32	Dr George Yijun TIAN	Associate Professor at the Faculty of Law, University of Technology Sydney, Australia <i>Comments submitted in academic capacity</i>	Australia

III. CATEGORISED COMMENTS

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
A. General					
1.	General	The systematization of property rights relating to carbon credits may help reduce legal uncertainty in transactions in carbon markets. The recommendations set out in the draft should, however, be approached with caution with regard to credits that may be used in regulated markets, under CORSIA, or in cooperative mechanisms pursuant to Article 6 of the Paris Agreement.	Government of Brazil	Ministry of Foreign Affairs	Brazil
2.	General	We generally endorse the objective of the (hereinafter referred to as “the Principles”) to establish uniform private law rules for verified carbon credits, as well as its foundational framework for the creation, transfer, custody, and registration of carbon credits. However, the Principles draw heavily on the common law traditions of the United States and certain European countries and the practice of private voluntary carbon markets, without duly accommodating a number of key realities, including the real right regime under the civil law system of civil law jurisdictions, the public-law statutory registration system for China Certified Voluntary Emission Reductions (CCERs), the principle of common but differentiated responsibilities under the Paris Agreement, the regulation of digital tokens in China and other countries, and the climate and development imperatives of developing countries. Based on our research, the following amendments are proposed:	Government of China		People’s Republic of China

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		I. General Recommendations 1. Align the legal characterization of carbon credits with the pledge of rights mechanism under civil law jurisdictions; 2. Refine registration rules by distinguishing between public and private categories of carbon credits; 3. Affirm the primacy of national climate public laws and cross-border regulatory controls; 4. Draw a clear distinction between general verified carbon credits (VCCs) and internationally transferred mitigation outcomes (ITMOs) transacted under nationally determined contributions (NDCs), and introduce mandatory rules for corresponding adjustment (CA) ledgers; 5. Add differentiated adaptation clauses for developing countries, impose restrictions on tokenization, and ensure compatibility with national regulatory regimes worldwide.			
3.	General scope (Relationship between private law and climate regulation)	Although the draft expressly limits its scope to private-law matters relating to VCCs, it is suggested that this limitation be reinforced through a general provision clarifying that the application of the Principles is without prejudice to mandatory rules and to the regulatory powers of States with respect to the generation, verification, certification, registration, use, transfer, cancellation and supervision of VCCs and the mitigation outcomes they represent. In particular, the recognition of proprietary effects under the Principles should not, in itself, be construed as regulatory recognition of a VCC, or as a determination of its eligibility, authorization or compliance with requirements established under applicable law.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
4.	General	Germany wishes to commend UNIDROIT and its Working Group for their groundbreaking and timely work in developing the Draft Principles on the Legal Nature of Verified Carbon Credits (VCCs). The submitted draft is well researched, comprehensive in scope, and it delivers on key objectives, namely to provide for legal certainty concerning the subject matter and their treatment as objects of proprietary rights, a harmonized approach to trans-boundary trading, market confidence, and opportunities for market scaling. The table below includes a variety of comments and suggestions meant for review by the Working Group during their 10th session in October 2026. Main items for consideration are: - Consider restriction to core needs of coverage, namely recognition of VCCs as individualised intangible assets capable of being the subject of proprietary rights; transferability and protection of good-faith acquirers; recognition of the registry as the mechanism for publicity and transfer, including where registries are privately organised and operated by non-State actors; custody; secured transactions; and insolvency. - By contrast, detailed rules on retirement and cancellation – at least in the form currently proposed in the draft – seem more difficult to justify. It is not evident why an international private-law instrument should itself develop substantive concepts governing the retirement or cancellation of VCCs.	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		• If the Principles were to address the legal consequences of defective issuance, the proposed regime could arguably be simplified. The grounds for treating an issuance as a priori defective seem imprecisely formulated (the reference to sec. 2.1 is ambiguous), while the concept of “deliberate wrongdoing”, with its combination of subjective and objective elements, is particularly difficult to justify. • Revocation of already issued VCCs is immensely rare in market practice, and the proposed rules risk creating greater uncertainty rather than resolving it. • The proposed grounds for revocation also appear incomplete. Among the various circumstances addressed by the Principles, two scenarios stand out for their absence: serious violations of safeguards, including the rights of Indigenous Peoples, and conflicts with overriding legal requirements, in particular those arising under the Paris Agreement. • It is recommended that the Principles better align with the international carbon-market architecture established under the Paris Agreement. The black-letter text should recognise the primacy of applicable Paris Agreement rules and consider potential direct conflicts between the two regimes, including the relationship between UNFCCC, national and crediting-program registries, Article 6 authorisations, and the prevention of double counting. • Also, the HCCH recommendation to replace the current provision on applicable law with an express placeholder should be followed. The Principles should			

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		state, pending further work, that they do not determine the law applicable to proprietary matters concerning VCCs. Close coordination between UNIDROIT and the HCCH on this issue seems particularly important.			
5.	General	Luxembourg wishes to express its gratitude for UNIDROIT's ambitious work on the VCC Principles and to thank the Secretariat for the opportunity to provide comments as part of the public consultation. As a global hub for green investment and an important international financial and trading centre, Luxembourg regards the subject matter as highly relevant. As a member of the Coalition to Grow Carbon Markets, Luxembourg also has a direct interest in strengthening the infrastructure underpinning high-integrity carbon markets – including their financial, legal and commercial infrastructure – with a view to accelerating market development and mobilising additional finance for climate action. Luxembourg considers UNIDROIT's development of a soft-law instrument on verified carbon credits an important step towards establishing a robust, predictable and transparent legal framework for global carbon markets. Indeed, greater clarity and consistency regarding the private-law treatment of verified carbon credits can contribute materially to legal certainty, market integrity and the responsible scaling of carbon-market transactions. In the below, you will find a summary of our feedback concerning the draft text. Comments and suggestions for further refinement:	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The draft starts with a concise and highly useful context chapter, organized along the VCC lifecycle. While it is important to keep a generic view on VCCs and not to go back in time when there was a dichotomy of voluntary vs. compliance markets, it remains critical, in our view, to firmly anchor any instrument on VCCs in the Paris Agreement and its approach to emissions trading, market integrity, and double counting. There are still comparably few trades done with clear authorization under Article 6 of the Paris Agreement, and most trading still happens outside the Paris framework and outside accounting under nationally determined contributions (NDCs). Still, all reputable transnational carbon standards today define themselves within or explicitly distinguished from the Paris Agreement (for standards with only domestic relevance, this may be different), and core concepts – from accounting integrity to MRV to registry functions and effects, double counting, and climate neutrality – require interpretation against the relevant concepts and structuring elements of the Paris Agreement. In this context, we would suggest that the black-letter text confirms alignment with, and interpretative guidance from, the Paris Agreement across provisions and recognizes the relevance of rules set out by the Paris bodies concerning VCC trades authorized under Article 6 Paris Agreement, including concerning the use of registries, the principle of no-double-counting, and safeguards. Going beyond an isolated recognition of the Paris Agreement in the principle on applicable law (Principle 4) and recognizing that the trade with VCCs is firmly set within the			

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		context of the Paris Agreement would also offer the opportunity to re-examine which elements and concepts are needed for a private international law (PIL) instrument on VCCs and what notions and technical aspects can be left to either public international or other law. From our perspective, the relevant features for a PIL instrument are the recognition of proprietary rights, the relevance of registries to effectuate transfers, good faith protection, as well as provisions on custody, securitization, and insolvency. These are all items that would do well with conceptual clarity from a PIL point of view and harmonized application. At the same time, the rules of the Paris Agreement have little in stock to guide the PIL discussion on these elements. By contrast, a variety of items that the UNIDROIT draft contains reflect concepts that are directly shaped by the Paris Agreement as well as relevant rules by reputable standards. These items include factual conditions for the creation of a VCC, techniques for false or erroneous verification (including concerning overissuance), VCC use (including retirement), and details on registry functions. We wonder if there is a robust rationale – and need – for any PIL instruments to provide rules or principles on these matters. Indeed, we see a risk that a PIL instrument could create more heterogeneity in practice rather than a harmonized approach and that transnational trading with credits might become less certain and predictable in a legal sense as a consequence. The provision, for instance, that requires that all units must be issued following a verification excludes a whole market that relies on credits that are issued pre-verification. The decision to put “cancellation” at the centre of a PIL instrument seems an			

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		almost radical step away from international practice that is focused on credit continuity (and restitution that is not in-kind). Considering a specific verification flaw – over-issuance – arguably gives rise to a remarkable imbalance when seen against a long list of other potential verification errors. Among the few items that would deserve PIL attention, when it comes to cancelation, in our view, are the items of safeguards and illegality of the underlying project – and yet here, the draft is mostly numb (Principle 4.2.a) if not outright dismissive (Principle 13). This is an area that seems to require a thought-through and disciplined private law approach, and a soft law instrument that deals with these items, including the provision of applicable law (with a view to uniform application) would be very valuable. A good argument can be made that opening VCCs to cancelation for a wide set of reasons (especially those that mix objective and subjective elements, cf. proposed principle on revocation) would jeopardize the carbon markets and their potential for scale. And yet, if one decides that VCCs can be subject to cancelation – again: something that the global carbon markets mostly avoid – then safeguards, in particular, in our view, should be high up on this list. Concerning applicable law, we take note of the parallel work on the matter from the Hague Conference on Private International Law (HCCH) and we would encourage a coordinated approach moving forward. As the two bodies are on different timelines on the matter, we would recommend leaving a placeholder instead of a detailed rule.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Tokenization and use of blockchain: This deserves a wider discussion (including in the context of safeguards and transparency) and should probably not be included in either the black letter or the context chapter. If it is included in the latter, we would encourage a more balanced discussion and a focus on PIL aspects.			
6.	General	The Government of Pakistan welcomes the initiative undertaken by UNIDROIT to develop internationally harmonised principles governing the legal nature of Verified Carbon Credits (VCCs). The draft Principles represent a significant contribution towards enhancing legal certainty in international carbon markets.	Government of Pakistan	Ministry of Law and Justice	Pakistan
7.	General	Clarity required regarding additionality of Renewable Energy Projects	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
8.	General	Criteria of 'Authorization' for sale of VCC in Compliance Market	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
9.	General	Procedure for approval of new Methodologies?	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
10.	General observation (Principle 2, Principle 3, Principle 14 and Principle 16)	<u>Issue:</u> According to Principle 2(21), "Principle law" means any part of a State's law which implements or is consistent with these Principles. While Principle 2(22) defines "other law" as a State's law to the extent that it is no Principles law. Bearing this in mind concern arises that States should align definitions that are used in national law with definitions outlined in Principles 2 and 14 if they want to follow the principles related to legal nature of VCC developed by UNIDROIT. This issue arises because in the current draft text the definitions constitute the integral part of the Principles. If a State uses different definitions, then according to Principle 2 its legislation cannot be considered as Principle law - because Principle law is a law that is consistent with all these Principles, which include Principles 2, 14 and 16. As a result, definitions as well as every aspect of proprietary matters could be considered as "other law". This situation is worsening by the Principle 3(3), which stipulates that Principles law takes precedence over other law to the extent they conflict.	Government of the Russian Federation	Ms Vera Korytova Ministry of Economic Development of the Russian Federation	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<u>Suggested solution:</u> Definitions cannot be considered as an element that forms the Principles law taking into account the definition set out in Principle 2(21). The possible solution could be the narrowing of definition of Principle law, for instance, in the following manner: <u>Option 1:</u> “Principle law” means any part of a State’s law which implements or is consistent with these Principles except for the Principles 2, 14 and 16 [for which definitions used in national law could vary depending on national circumstances.]. <u>Option 2:</u> “Principle law” means any part of a State’s law which implements ~~or is consistent with~~ these Principles. Option 2 in this case gives a certain amount of freedom for States to follow the Principles and implement the characteristics of the terms described in Principles 2, 14 and 16 while not being bound by using these terms per se.			
11.	General (Overall principles)	These inputs and comments should not be interpreted as constituting an endorsement for the developed principles or their content, particularly as some areas of the analysis presented do not reflect our view for the legal nature of verified carbon credits.	Government of Saudi Arabia		Saudi Arabia
12.	General (Overall language)	We highly advise the working group to refrain from use of “shall” language in any manner throughout the document, especially considering the non-binding status and voluntary nature of these principles. Noting that this language isn’t consistent with other documents developed by UNIDROIT.	Government of Saudi Arabia		Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
13.	General (Overall project direction)	Expressing concerns on the limited representation of Gulf/GCC host-country and buyer-side perspectives among Working Group experts or observers. Recommend that major jurisdictions from developing countries and the Middle East are closely engaged before the text is finalised, given the growing role in both credit generation (CCUS, direct air capture, nature-based projects) and demand. This engagement shouldn't be solely through consultative committee written inputs, but rather a working group-level engagement.	Government of Saudi Arabia		Saudi Arabia
14.	General	The United Kingdom welcomes the opportunity to respond to the public consultation on the draft UNIDROIT Principles on the Legal Nature of Verified Carbon Credits. As a longstanding member of UNIDROIT, the UK strongly supports the organisation's mission to promote greater legal certainty and consistency across jurisdictions. We recognise the significant work undertaken by the Working Group in addressing complex legal questions relating to the creation, transfer, custody, security and retirement of verified carbon credits. The UK shares the wider objective of strengthening the legal foundations underpinning carbon markets and welcomes efforts to provide greater certainty and confidence for market participants. Carbon markets can play an important role in mobilising finance, supporting emissions reductions and removals, and enabling higher climate ambition. They can also provide an important source of climate finance for host countries and project jurisdictions, particularly in emerging and developing economies. The UK recognises the contribution that clear and widely understood legal frameworks can make to effective, trusted and internationally connected carbon	Government of the United Kingdom	Ms Zoe Norgate Deputy Director, Green Finance & Capability, Department for Energy Security & Net Zero	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		markets. Legal certainty, environmental integrity and robust market infrastructure can attract investment, reduce transaction risk and support climate benefits at scale. The UK is actively involved in international initiatives intended to strengthen carbon market functioning, integrity and interoperability. These include implementation of Article 6 of the Paris Agreement, engagement through the Hague Conference on Private International Law (HCCH), and co-leadership of the Coalition to Grow Carbon Markets. The UK places particular importance on ensuring that these initiatives develop in a complementary and mutually reinforcing manner. The UK considers that the draft Principles, and any eventual Principles, should be assessed against four outcomes that we consider important for the regulatory regime for VCCs, in order to support the continued development of effective and high-integrity carbon markets. Legal certainty, market confidence and integrity The regulatory regime should provide certainty and predictability for market participants, reduce transaction risk and support investment. Legal frameworks should also support confidence in the environmental outcomes represented by carbon credits, with appropriate safeguards and protections (particularly in relation to the legitimate interests of project host states and potentially affected communities and ecosystems). Legal certainty, market confidence and environmental integrity are mutually reinforcing foundations of effective and scalable carbon markets. Market functioning, investment and interoperability			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The regulatory regime should support efficient international carbon markets and the holding, transfer and use of credits across jurisdictions. Interoperability and fungibility following issuance can help mobilise private investment, facilitate climate finance and support higher climate ambition. Clarity regarding the legal treatment of carbon credits can reduce unnecessary barriers to participation and contribute to more effective market functioning. Clear legal treatment of credits The regulatory regime should maintain a clear distinction between rights associated with the underlying mitigation activity or project, the issuance of a carbon credit, and the subsequent holding, transfer and use of that credit. Carbon credits may reflect verified mitigation outcomes, while remaining clearly distinguishable from the underlying project, land, asset or activity from which those outcomes arise. Compatibility with existing frameworks and market infrastructure The regulatory regime should operate effectively alongside established domestic legal concepts, regulatory frameworks, international regimes, including those that are or might be developed by the HCCH, and market arrangements. They should also support confidence in registries and wider market infrastructure, including clear and reliable systems for issuance, ownership records, holding, transfer and retirement. Compatibility across these frameworks and systems will strengthen the practical contribution of the regulatory regime to international consistency and interoperability.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The UK recognises the complexity of developing an instrument capable of operating across a wide range of legal systems and market structures. We recognise that the Working Group has sought to balance legal certainty, market functionality and broader policy objectives throughout the drafting process. In order to consider any eventual Principles, the UK believes there would be value in continued consideration of several themes during the final stages of the UNIDROIT process: • the treatment of applicable law, and the extent to which the framework supports clarity regarding the legal treatment of verified carbon credits across different stages of the credit lifecycle; • maintaining a clear distinction between underlying mitigation activities and the legal treatment of carbon credits following issuance; • the role of registries and market infrastructure in supporting market confidence, ownership records and the effective transfer of credits; • the interaction between provisions relating to cancellation, revocation and associated proprietary rights, and their implications for legal certainty and market confidence; and • ensuring that the final Principles can operate effectively alongside existing legal, regulatory and market frameworks, including those developed at national and international level, including those that are or might be developed by the HCCH. The UK offers these observations in the spirit of supporting the overarching objectives of the project and recognises that			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		jurisdictions may take different approaches to achieving those objectives. Concluding observations The United Kingdom welcomes the work undertaken by UNIDROIT and the Working Group and supports the overall objective of strengthening legal certainty and confidence in carbon markets. As the Principles are finalised, the UK encourages continued consideration of how they can support legal certainty, market confidence, interoperability, compatibility with existing frameworks, environmental integrity and the effective functioning of carbon markets internationally. The UK looks forward to continued engagement on these issues and welcomes further dialogue as this work progresses.			
15.	General	We acknowledge the aim of providing legal certainty regarding the ownership of VCC to mitigate risks and reduce financing costs. Furthermore, it is considered important that these principles coexist in harmony with the existing regulatory framework in this area, as set forth primarily in the Paris Agreement.	Government of Uruguay	Directorate of International Law Affairs, Ministry of Foreign Affairs	Uruguay
16.	General (Inter-American instruments)	The comparative approach of the Commentary rests on the Hague Convention of 5 July 2006 on the Law Applicable to Certain Rights in respect of Securities held with an Intermediary, the UNIDROIT Principles on Digital Assets and Private Law (2023), and the UNCITRAL Model Law on Secured Transactions (2016). No Inter-American instrument is cited at any point. We respectfully suggest that the Commentary also engage with the Inter-American Model Law on Secured Transactions (CIDIP-VI, 2002) and its Model Registry Regulations (CIDIP-	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		VII), which underpin the unitary movable-security registries enacted in a number of States of the region. Considering that Latin America hosts a substantial share of the world's nature-based mitigation projects, engagement with the regional acquis would materially improve the prospects of implementation in the region and would strengthen the claim of the Principles to genuine jurisdictional neutrality.			
17.	General (Terminology and future translation)	The Principles will in due course require authoritative versions in other languages. We draw attention to the fact that "proprietary rights", used in the deliberately broad functional sense explained in Commentary 3.1, has no univocal equivalent in Spanish or Portuguese legal usage: "derechos reales" denotes a closed and codified category, whereas "derechos patrimoniales" is considerably broader than the sense intended. The choice of rendering will have substantive consequences for how the instrument is received by civil-law legislatures. We suggest that the Commentary record expressly that the term is used functionally and does not prejudice the domestic nature of rights in rem, and that the Secretariat consider consulting civil-law specialists at the translation stage.	American Association of Private International Law (ASADIP)		Americas
18.	General	This consultation template is submitted together with an accompanying cover letter and its exhibits, which are incorporated herein by reference and should be read as part of this submission. ² In preparing this submission we reviewed the publicly available record of the Working Group's deliberations. That	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP	United States of America

² The full submission of Emergent Forest Finance Accelerator, Inc., including the cover letter and Exhibit 1 to the cover letter, are available in the Addendum to this document (Study LXXXVI - W.G.10 - Doc. 3 Add. – Addendum).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		record does not contain a comprehensive analysis of the treatment of VCCs under U.S. law. Exhibit 1 to the cover letter, "Overview – Legal Nature of Voluntary Carbon Credits under U.S. Law", is submitted to fill that gap and to place the relevant U.S. authorities before the Working Group in a single place.		Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	
19.	General (Additionality)	A key requirement of purchasers of VCCs is that the VCCs represent carbon removals or reductions that are additional. The Draft Principles currently do not include any reference to additionality. We believe that the fundamental importance of additionality to the VCM warrants that it be addressed in the Principles.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	
20.	General	The <i>Koch v. Canada</i> award illustrates that the legal characterization of carbon market assets under applicable private law, and in particular whether they carry proprietary rights, is not merely a question of private law. It can have direct consequences for the investment law framework within which cross-border transactions in those assets take place, and specifically for whether investors in carbon markets may access the protections available under international investment treaties and the ICSID Convention. The adoption of the Draft Principles, by providing clarity on the legal nature of VCCs under private law, would therefore serve not only the private law objectives of legal certainty in transactions, but also the broader investment law environment. Where the proprietary nature of VCCs is clear, that clarity will also inform the analysis of investment tribunals called upon to determine whether disputes involving VCCs fall within their jurisdiction, reducing a source of uncertainty that, as <i>Koch v. Canada</i> illustrates, can be dispositive. Regulatory clarity of this kind is essential to attracting and sustaining international investment, a goal that lies at the heart of ICSID's mandate and of the World	International Centre for Settlement of Investment Disputes (ICSID) ³		International

³ This is an extract of ICSID's submission. The full submission is available in the Addendum to this document (Study LXXXVI - W.G.10 - Doc. 3 Add. – Addendum).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Bank Group's broader mission of promoting sustainable economic development. ICSID thanks UNIDROIT for the opportunity to contribute to this important initiative and looks forward to continuing to engage with the development of the legal framework for carbon markets.			
21.	General	The UNIDROIT <i>Draft Principles on the Legal Nature of Verified Carbon Credits</i> (Study LXXXVI, consultation draft, July 2026) seek to establish greater legal certainty concerning Verified Carbon Credits (VCCs). The Principles focus primarily on private-law questions, including the creation, transfer, ownership, custody, cancellation, security interests and insolvency treatment of VCCs. They are intended to facilitate the development of domestic and cross-border carbon markets by providing a common legal framework. The UNIDROIT approach is broadly compatible with the fundamental position adopted by the IsDB Shariah Board in its 2022 resolution (annex 1), which recognises carbon credit and carbon offset certificates as intangible financial rights relating to non-physical assets, capable in principle of being transferred for monetary consideration, provided that gharar, deception and fraud are avoided. However, the UNIDROIT Principles also introduce certain legal concepts and market mechanisms that require specific Shariah safeguards before they can be adopted or used in Islamic finance transactions.	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailem, Acting Director General, IsDB Institute	International
22.	General	The UNIDROIT Principles are broadly compatible with the conceptual foundation of the Islamic Finance principles and the IsDB Shariah Board's 2022 resolution, particularly in	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge</i>	Dr Sami Al Suwailem, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Overall Shariah assessment and key recommendations)	their recognition of VCCs as identifiable intangible assets capable of proprietary ownership and transfer. However, legal permissibility under the UNIDROIT Principles should not be equated with Shariah permissibility. Key Recommendation for Islamic Finance The most appropriate approach would be not to reject the UNIDROIT Principles, but rather to develop an Islamic Shariah overlay for their application to Islamic financial institutions. Such an overlay should establish at least five conditions: 1. Recognised asset/right: The VCC must constitute a valid, identifiable and transferable intangible financial right, consistent with the Islamic Finance perspective. 2. Genuine underlying mitigation: The VCC must be supported by credible verification and must represent an actual mitigation outcome, with adequate safeguards against fraud, double counting, reversal and overissuance. 3. Genuine end-use: Transactions should involve parties that genuinely use the VCC for greenhouse-gas reduction purposes or for financing parties that genuinely undertake such activities. 4. No speculative trading: Islamic financial institutions should not engage in transactions whose sole purpose is investment/speculation, and should avoid options, futures, short sales and similar conventional instruments prohibited by Islamic Finance principles. 5. Shariah-approved documentation: Sale, custody, financing, collateral, tokenisation and other contractual arrangements should be submitted to the relevant Shariah authority before implementation, particularly where the transaction involves new market mechanisms.	<i>contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>		

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Conclusion The UNIDROIT Draft Principles provide a generally suitable legal foundation for recognising VCCs as intangible proprietary assets and facilitating their transfer, custody, financing and use as collateral. This fundamental approach is consistent with the Islamic Finance perspective determination that carbon credit certificates constitute intangible financial rights with recognised economic value. The principal distinction is that UNIDROIT's market-oriented framework is broader than the Sharia-compliant framework. In particular, the UNIDROIT framework accommodates secondary-market activity and investment-oriented market participants, whereas the Sharia-compliant framework restricts trading to genuine users and expressly prohibits trading merely for investment purposes. Therefore, Islamic financial institutions could potentially operate within the UNIDROIT framework, but only with an additional Shariah overlay governing the purpose of transactions, environmental integrity, <i>gharar</i>, fraud, delivery, and prohibited derivative or speculative structures. This makes the UNIDROIT Principles potentially valuable as a legal infrastructure for Islamic carbon markets, provided that their implementation is supplemented by Shariah standards and contractual safeguards reflecting the Islamic Finance requirements.			
23.	General (Overall approach – Principles 1–3 and 10–11)	I support clarification of the private law treatment of verified carbon credits, subject to safeguards that make environmental integrity a condition of credible market development. Legal certainty should protect legitimate transactions without insulating unsupported mitigation claims. The central concern is the combined effect of a	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		procedural definition of verification, continued proprietary existence despite overissuance, and reliance on optional external remedies. Recommendation: distinguish three questions throughout: whether a unit exists as an asset; whether it meets substantive quality requirements; and whether it is eligible for a particular use or claim. Recognition of the first must not establish the second or third. Introduce mandatory quality, disclosure and correction provisions alongside the property rules, with express preservation of stricter applicable law. Market growth should be evaluated by additional mitigation delivered and rights respected, rather than transaction volume alone.			
24.	General (Implementation of quality requirements – Principles 2, 3, 11 and 15)	Adopt a coordinated package: a minimum quality provision linked to Principle 2; non-excludable disclosure and status-recording duties under Principle 15; and effective correction of deficient units under Principles 9–11. A registry entry or compliance with a weak methodology should not be sufficient to present a unit as meeting an integrity benchmark. Technical assessment can remain with competent crediting bodies and independent assessors. Private law can specify the representations, duties and remedies attaching to their decisions, as the draft already does for registries and custodians. If detailed technical criteria are placed in an implementation annex, require their adoption alongside the Principles and identify which requirements need complementary regulation. Do not leave the integrity package as optional good practice while making the protections for proprietary rights operative. Independent reassessment and accessible challenge procedures should accompany recognition of standards.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
25.	General	The respondent's principal request is the reinstatement of a narrowed form of former Principle 2(1)(f); the remaining comments explain the basis, alternative placement and consequences of that proposal. These comments address a single question that runs across Principles 2, 4, 7, 10, 11 and 13: what effect, if any, the law of the State in which project land, or a natural resource treated there as immovable property, is situated has on the existence of a VCC, where that law made the land or resource incapable of being made the object of the specific interest that law required for carrying out the GHG mitigation project. The comments are offered in support of the instrument. They do not question its confinement to private law, the registry-based connecting factor for downstream proprietary matters, or the conception of a VCC as representing a state of affairs fixed at creation. The concern is confined to a creation-time capacity defect. The Introduction records a related concern (paragraph 57); Commentary 13.4 treats consideration of project legality under host-State law as verification best practice; and Commentary 4.6 requires the law identified by Principle 4 to be applied compatibly with specified rights and interests. Following removal of former Principle 2(1)(f), however, Principle 2(1) does not make the relevant situs interest constitutive, while Commentary 10.27 prevents Principle 10(2) from widening the grounds in Principle 10(1). Commentary alone therefore cannot create the required ground. The primary route is an express, narrow textual bridge: reinstatement of former Principle 2(1)(f), renumbered as Principle 2(1)(e) in the current text, in the creation-time	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		capacity form proposed in Comment 4. If the Working Group regards a definitional condition as structurally inapt, the same rule could instead be stated expressly in Principle 10, with an appropriate cross-reference under Principle 4, as proposed in Comment 7. The clarifications in Comments 8 to 11 and the Commentary 13.2 proposal in Comment 12 are consequential under either route: they explain classification, navigation and effects after the bridge exists, not an independent ground of complete nullity. The separate operational recommendation on Commentary 13.4 concerns verification practice and is independently adoptable whether or not the bridge is adopted. The proposal is confined to this private-law creation question; it neither creates nor displaces rules governing community, Indigenous or human-rights claims. The respondent has considered Sections VI to IX and offers no observations on them within the scope of this submission.			
26.	General (The relationship between VCC and DAPL Principles)	Although recognized in a manner similar to the UNIDROIT Principles on Digital Assets and Private Law (DAPL Principles), the Verified Carbon Credit (VCC) framework employs a significantly different approach. A VCC is defined as a unit and an intangible asset representing a verified greenhouse gas reduction outcome equivalent to one tonne of CO₂. Unlike digital assets, whose legal mechanisms are primarily linked to actual control, a VCC is legally established through an institutional process. While some VCCs may be tokenized on blockchain platforms and exhibit characteristics of digital assets, the VCC Principles do not classify VCCs as assets that automatically fall within the scope of the DAPL Principles' concept of digital assets.	Dr Le Xuan Tung, Principal Researcher Ms Nguyen Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any other organisation or authority</i>	International Law Division, Institute for Legal Strategy and Science, Vietnam	Vietnam

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
27.	General (Lifecycle of a VCC)	It is observed that a particularly distinctive feature of the VCC framework is its treatment of lifecycle problems arising after issuance. The draft distinguishes between revocation and overissuance. The distinction reflects a deliberate policy choice: while serious defects in the constitutive process justify treating the asset as void from the outset, the preservation of overissued credits may protect transactional stability and the functioning of global carbon markets. The draft nevertheless contemplates alternative mechanisms, including time limits on cancellation and transfer-ripening rules, for jurisdictions that prefer stronger protection of market participants.	Dr LE Xuan Tung, Principal Researcher Ms NGUYEN Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any other organisation or authority</i>	International Law Division, Institute for Legal Strategy and Science, Vietnam	Vietnam
28.	General	The Project welcomes the draft Principles and, in particular, the decision to address the proprietary dimension of verified carbon credits, which has received considerably less attention than the regulatory dimension and which, as the Introduction rightly notes, is the dimension that most directly hampers the scaling of the market. The Project also welcomes the approach of building on the Unidroit Principles on Digital Assets and Private Law rather than devising a self-standing conceptual apparatus. The comments below are largely directed at strengthening that continuity, which in our view is not yet fully realised in the current draft.	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain
29.	General (French translation – editorial, offered as assistance rather	Two points were noticed on reading the French version. In the table of contents, the entry for voluntary cancellation reads 'Principe 1 Annulation volontaire'. It should read 'Principe 12'.	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241),	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	than as criticism, the French text being expressly provisional)	In Principle 19(4)(b), (5) and (6), the French text alternates between 'CCV' and the untranslated abbreviation 'VCC'. Consistency would assist readers of the French version. The Project would be glad to assist the Secretariat with terminological questions arising in the translation of the instrument into Spanish, having directed and published the agreed Spanish translation of the Unidroit Principles on Digital Assets and Private Law.		Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	
30.	General (Core submission)	My central submission, developed in the comments below, is that the Draft Principles, consistently with their parent instrument (the UNIDROIT Principles on Digital Assets and Private Law (2023)), address the legal nature of a verified carbon credit ('VCC') almost entirely as a question of private property law and expressly exclude from their scope 'rules that are to be enforced by public authorities' (Introduction, para. 71; Principle 1; Commentary 1.1). For most digital assets that boundary is sound. For VCCs it is not: a VCC's realisable economic content is fixed by an act of public law of its country of origin, and that act is not incidental to the proprietary right but constitutive of its commercial value. The closest analogy familiar to the legal profession is the law of real property. Fee simple title to land is a complete private-law property right, yet the lawful and economically relevant uses of land are fixed by public-law zoning, which is not a matter of contract, runs with the land, and is a principal determinant of value; no competent property lawyer treats zoning as falling outside the scope of the property right. I submit that host-country authorization of a VCC's use — and,	Mr Ingo Puhl ⁴ <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore

⁴ Co-founder of South Pole and currently Chief Executive Officer of GaiaSwap Pte. Ltd., a Singapore-incorporated company building registry-interoperability infrastructure for carbon credit and I-REC(E) markets across ASEAN, in active engagement with Thailand's sovereign carbon registry operator (TGO) and its Designated National Authority (DCCE).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		cross-border, authorization of a corresponding adjustment under Article 6 — functions as the zoning layer of the carbon market, and that a private-law instrument silent on this layer will be incomplete in the same way a law of real property silent on zoning would be incomplete.			
31.	General (The Thailand case study)	The Kingdom of Thailand illustrates both the problem and a workable response. TGO issues and registers Thailand Verified Emission Reductions ('TVERs'); DCCE, as Designated National Authority, holds sovereign authority to authorize their international transfer and to define their permitted uses. A common technique for cross-border transfer — a foreign entity opening an account directly within TGO's registry — resolves the private-law questions the Draft Principles address well, but leaves unresolved three more important questions: DCCE must separately authorize the corresponding adjustment; most buyer-jurisdiction regulators will not recognise a TGO retirement absent a bilateral agreement; and TGO's records may not, without more, satisfy ISSB, CDP or SBTi disclosure standards. Each is a question the Draft Principles set aside as regulatory, and each is the question a sophisticated buyer's counsel is actually asked to advise on — as I experienced directly in structuring the Article 6.2 transaction referred to above. GaiaSwap's proposed architecture with TGO and DCCE — under which DCCE's authorization is embedded into a TVER at the point of tokenization, so that no unauthorized credit can exist in the system claiming authorized status — illustrates that this integration is operationally achievable without requiring UNIDROIT to legislate any State's regulatory law. Fuller technical detail is set out in a Practitioner Brief I previously submitted to the UNIDROIT	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Workshop on Carbon Credit Tokenization, which I would be pleased to make available again. I would also be glad to elaborate on any of the comments below in person, or remotely, at a future session of the Working Group, should that be useful.			
32.	General (Summary of SDSG's submission - Principle 1; Principle 2 paras. 21 and 22; Commentary 2.38 to Principle 2; Principles 3(3) and 3(4)(a); Principle 13, among others)	UNIDROIT states that the objectives of the Principles are to provide guidelines for States to align their private laws with best practices and international standards regarding VCCs, as well as to bring clarity and uniformity to their private-law treatment (Principle 1, Commentary para 1.1). However, the Principles, and accompanying Commentary, raise a number of questions and bypass an important opportunity to provide guidance regarding the relationship between the creation and validity of VCCs and pre-existing and inherent rights engaged by carbon projects. Such an omission undermines UNIDROIT's central objective of bringing clarity and uniformity. In particular, the Principles' scope, as provided by Principle 1, is overly narrow and does not reflect the reality of these carbon projects. The generation of VCCs does not take place in a legal vacuum. UNIDROIT's reasoning that the Principles are intended to be jurisdiction-neutral and deal only with a "<i>specific subset of private law issues</i>" (Principle 1, Commentary Para 1.2), is shortsighted. While the drafters may be unable to provide steadfast rules concerning all elements of 'other law' relating to carbon credit projects, there must be some engagement with recurring themes or issues in the relationship between the creation of VCCs and matters of 'other law' in order for the Principles to have practical value.	Sustainable Development Strategies Group (SDSG)		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		In reality, carbon projects leading to the creation of VCCs are inherently intertwined with different layers of rights and laws at the project-level, which, in some instances, fall directly within the already narrowly defined scope of these Principles, namely proprietary rights (see our comment no. 5). The United Nations (the “UN”) has cautioned that the circulation of carbon credits as financial assets, distinct from the mitigation activity itself, dilutes not only the distribution of benefits to host communities and the accountability of intermediaries, but the validity of the claim to climate mitigation itself⁵. It has also expressly and unequivocally identified that some of the common regulatory gaps in developing countries include, precisely, <i>inter alia</i>, unresolved questions over carbon ownership⁶. In the creation of these Principles, UNIDROIT has an opportunity to take steps towards resolving these questions. Therefore, it is imperative that, as a matter of policy, these Principles recognize that certain community rights and laws governing the project may have a direct impact on the creation, validity, and potential legality of VCCs. The uncertainty of whether a person has proprietary rights in a VCC based on its engagement with owners of the asset underlying the mitigation activity has already been part of debates about the validity of VCC issuance⁷. The legal rights			

⁵ United Nations Conference on Trade and Development, *The Role of Voluntary Carbon Markets in Global Climate Action*, Geneva: 2025, pg. 18-19.

⁶ UN General Assembly, *Promotion and protection of human rights in the context of climate change: Note by the Secretary-General*, UN Doc A/81/217 (17 July 2026), para. 41.

⁷ Lejla Tuholjaković, Sam McClure, and Molly Melius, “Voluntary Carbon Markets at a Crossroads: Structural Failures and the Path to Reform”, June 24, 2026. <https://law.stanford.edu/2026/06/24/voluntary-carbon-markets-at-a-crossroads-structural-failures-and-the-path-to-reform/>; The Board of the International Organization of Securities Commissions, “Voluntary Carbon Markets: Final Report”, November 2024, pgs. 20-21. <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD774.pdf>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		underpinning a carbon project cannot simply be separated from the VCCs generated by that project. The assumption that GHG reduction project owners are the <i>de facto</i> owners of VCCs has long held though it has been questioned even by major Certification Bodies⁸. This assumption has led to the sale of VCCs on markets without the proprietary rights to VCCs, raising concerns and reputational risks for investors⁹. Where carbon projects are developed on land or in relation to natural resources subject to community rights, those rights may determine ownership and/or other requirements that need to be met before the valid creation of VCCs, including free, prior and informed consent (hereafter, “FPIC”) or benefit-sharing (see our comment no. 5). Carbon credits are expected to quadruple over the next seven years¹⁰. Therefore, these Principles must pre-emptively identify such issues and offer clear legal guidance, rather than sweeping matters not addressed under the Principles into “Other Law.” As a result, this framework should recognize, at a minimum, that the creation, validity, and legality of VCCs may depend upon the existence and exercise of underlying proprietary, community, and other legally recognized rights.			
33.	General (Terminology used in Submission)	Unless otherwise stated, the specific terminology in this submission should be understood to have the same meaning as in the VCC Principles.	Sustainable Development		United States of America

⁸ Verra, “PUBLIC CONSULTATION ON VERSION 5 OF THE VERIFIED CARBON STANDARD PROGRAM,” June 26, 2025, pg. 25. <https://verra.org/wp-content/uploads/2025/06/June-2025-Public-Consultation-on-Version-5-of-the-VCS-Program.pdf>.

⁹ Simon Counsell, Blood Carbon: how a carbon offset scheme makes millions from Indigenous land in Northern Kenya, Survival International, March 2023, pgs. 51-53. https://assets.survivalinternational.org/documents/2466/Blood_Carbon_Report.pdf.

¹⁰ UN General Assembly, Promotion and protection of human rights in the context of climate change, para. 49.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
			Strategies Group (SDSG)		
34.	General	The WFE and its Members would like to take this opportunity to support UNIDROIT's efforts to improve global consistency and clarity, reduce barriers to VCM participation and cross-border activity, address fragmented liquidity, decrease transactional risk and costs, and build market confidence. <u>Response</u> The WFE supports the overarching objectives of the UNIDROIT draft Principles and UNIDROIT's use of existing legal structures and classifications to avoid unnecessary complexity, unintended consequences and market friction. In particular, the WFE would like to express support for: 1. Creating Principles for clear and consistent legal treatment of VCCs in and across jurisdictions internationally. Improving international clarity and consistency will support market confidence, encourage prospective market participants, facilitate cross-border activity, decrease transactional risk and costs, address fragmented liquidity and lay the groundwork for how VCCs should be treated in respect to accounting and tax. In particular, the proposals on how to deal with questions of legal domain, reversals of GHG mitigation outcomes, VCCs obtained through wrongful means, VCC nullification, VCCs created as a result of deliberate wrongdoing, and instances of overissuance could settle questions that many jurisdictions and market participants are currently grappling with and facilitate cross-border activity. Coupled with the widespread adoption of global quality assurance frameworks	The World Federation of Exchanges	Rona Nairn, Manager, Regulatory Affairs Victoria Powell, Senior Manager, Regulatory Affairs Richard Metcalfe, Head of Regulatory Affairs Nandini Sukumar, Chief Executive Officer	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		such as the Integrity Council for the Voluntary Carbon Market, this will support VCM growth. 2. The flexible approach taken to implementation in the Principles. The Principles are designed to be appropriate for all types of market and legal systems (including both civil and common-law systems). This will facilitate their application in any jurisdiction and support consistent international adoption, facilitating cross-border activity and liquidity. Additionally, the Principles enable States to choose whether, how and to what extent to include the Principles within their private law. This will support broad uptake, including by States that already have laws in place relating to some of the issues covered. It will also enable States to reflect targeted jurisdiction-specific considerations in their implementation. 3. Encouraging adopting national competent authorities to deviate only where necessary. Where national competent authorities elect to implement the UNIDROIT Principles, the WFE would encourage them to prioritise international consistency by deviating from the global Principles only where necessary to accommodate jurisdictional realities and needs. Taking this approach avoids unnecessary fragmentation that would likely impede the growth of VCMs. Additionally, WFE Members raised a number of areas that could warrant further exploration by UNIDROIT, specifically: 1. Whether the Principles could helpfully provide examples of prospective contractual arrangements that could be deployed to mitigate losses stemming from events such as reversals (making it clear to the reader how the legal system as a whole could function to maintain the effectiveness and			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		efficiency of carbon markets). For example, the Principles could suggest that contractual arrangements may be made to nominate a named liable party, e.g. a Performance Guarantor, that absorbs the buyer's exposure in instances such as revocation where <i>bona fide</i> exceptions are not available because the VCC is rendered void <i>ab initio</i>. 2. Confirming whether a VCC that has already been retired remains exposed to cancellation for revocation under the current draft. Principles 8-10 do not appear to exclude the exposure of retired VCCs to cancellation for revocation and the <i>void ab initio</i> effect in Principle 10(4), together with the commentary in 10.25, suggests that this exposure may exist. If retired VCCs are exposed to cancellation for revocation, the WFE would encourage UNIDROIT to explore making retirement an unconditional bar to cancellation for revocation for holders with no knowledge of the wrongdoing at the time of retirement and, potentially, substitution mechanisms for the relevant climate activities to preserve market certainty. The Principles already propose mitigations to preserve market certainty in cases of overissuance where jurisdictions have elected to retain the orthodox principle of <i>nemo dat quod non habet</i>. Making retirement an unconditional bar to cancellation for revocation and exploring introducing mandatory substitution mechanisms would remove material pricing uncertainty and ensure that a compliance submission or claim, once made honestly, is final. In relation to tokenisation, the consultation notes that a tokenised VCC does not automatically carry the legal rights of the original, meaning tokenisation can create a separate asset rather than a digital wrapper of the asset. The WFE			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		would like to take this opportunity to direct UNIDROIT to the WFE's work on 'mimic tokens' recommend UNIDROIT considers tokenisation only once the liability structure has been clarified. Though they do not directly fall within UNIDROIT's private-law remit, two further focuses that could boost growth in voluntary carbon markets are: 1) safe-harbour provisions that protect market participants and 2) clarity on the role that VCCs should play in companies' wider sustainability, Net Zero and transition planning efforts. UNIDROIT should consider whether they are able to provide guidance on these issues and, wherever possible, indicate where safe-harbour provisions and further clarity on the role of VCCs would complement the UNIDROIT Principles and support further growth in VCMs. Progress in these areas would help companies navigate evolving disclosure and claims-related expectations while reducing legal and reputational risks associated with allegations of greenwashing.			
B. Introduction					
35.	Definition of VCC (Distinction between VCCs, A6.4ERs and ITMOs)	The Study should avoid treating all carbon-related units as functionally equivalent merely because they represent a quantified mitigation outcome. In particular, an ITMO is not simply another carbon certificate or credit. Under Article 6.2 of the Paris Agreement, an ITMO derives its specific status from authorization by a participating Party and is subject to specific accounting, reporting, tracking and corresponding adjustment requirements under the relevant CMA decisions. Likewise, A6.4ERs have a specific status	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		under the Article 6.4 mechanism, including a distinction between authorized A6.4ERs and mitigation contribution A6.4ERs. We therefore suggest expressly distinguishing private VCCs, A6.4ERs and ITMOs throughout the Study rather than grouping them under a common proprietary concept without qualification.		Sustainable Development	
36.	Transfer and transaction terminology (Article 6 versus voluntary carbon markets)	The Study should distinguish more clearly between a commercial transaction and a transfer for Article 6 accounting purposes . A commercial transaction may involve a contractual sale, purchase or other disposition of an underlying unit without necessarily constituting an international transfer under Article 6. Conversely, under the Article 6 framework, “first transfer” is a specifically defined accounting event linked to the authorization and use of mitigation outcomes and may trigger corresponding adjustment obligations. The proprietary transfer of a unit between private parties should therefore not automatically be equated with the transfer of an ITMO under the Paris Agreement.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
37.	Registry operations – Proprietary transfer versus Article 6 tracking	The Study appears to approach registries predominantly as systems for evidencing ownership and effecting transfers between private account holders. We suggest acknowledging that registries under Article 6 perform a broader public accounting and tracking function . Their operations may include authorization status, first transfer, transfer, acquisition, use, cancellation and other actions relevant to corresponding adjustments and international reporting. Accordingly, changes in registry holdings and proprietary ownership should not be assumed to have the same legal or	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		accounting consequences across voluntary registries and registries established under the Paris Agreement.			
38.	Relationship between mitigation outcome, certificate and internationally transferred mitigation outcome	The Study would benefit from distinguishing the underlying mitigation outcome , the unit or certificate issued to represent that outcome , and the subsequent legal or accounting status that the unit may acquire under a particular framework. The existence of a verified mitigation outcome does not necessarily imply the existence of a transferable carbon credit, and the issuance of a carbon credit does not make that unit an ITMO. Under Article 6, additional sovereign acts and accounting requirements, including authorization by the participating Party and applicable tracking and reporting requirements, are required. This distinction is important to avoid deriving the legal nature of the underlying mitigation outcome solely from the proprietary characteristics attributed to the certificate representing it.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
39.	Introduction	Pakistan agrees that legal uncertainty regarding proprietary rights in VCCs constitutes a significant barrier to the development of international carbon markets. The draft appropriately focuses on private-law issues rather than public regulatory matters. Nevertheless, greater clarification should be provided regarding the relationship between proprietary rights in VCCs and sovereign regulatory powers exercised under domestic environmental legislation and the Paris Agreement.	Government of Pakistan	Ministry of Law and Justice	Pakistan
40.	Introduction	Could the Introduction provide a brief explanation of the pre-feasibility stage of VCC projects, including when pre-feasibility is typically undertaken, its purpose, and the key	Government of Pakistan	M Hammad Bashir Carbon Market Specialist	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		aspects assessed at this preliminary stage that can determine Additionality?		Ministry of Climate Change & Environmental Coordination	
41.	Introduction	Could the Introduction define the concept of a “crediting period” and briefly explain its significance in determining the period during which a VCC project may generate and receive credits?	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
42.	Introduction (general)	Attention is drawn to the comprehensive analysis of the VCC lifecycle. The importance of preventing double- counting is highly valued. It would be desirable to explicitly clarify the separation between private proprietary transfer and the public authorization that may exist under Article 6 of the Paris Agreement, thereby preserving the rights of the host State. Finally, the prospective application of transition rules to protect acquired proprietary rights is supported.	Government of Uruguay	Directorate of International Law Affairs, Ministry of Foreign Affairs	Uruguay
43.	General	We welcome the attempt to unify the approach towards and understanding of the legal nature of carbon credits. We are conscious however of the limitation presented by the fact that there is no guarantee that the Principles will be transposed by all countries. UNIDROIT is not a regulatory body and cannot require or enforce these principles. However, we hope that the consolidation of one position in	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		these draft Principles that different countries may draft national legislation from is still an improvement and a more unified position than the current one, which is fragmented and ad hoc.			
44.	Paragraph 1	SDSG agrees that there is significant momentum in the uptake of carbon markets through the voluntary market, EU ETS and the recently finalized Article 6 provisions, but notes that carbon markets remain one of a number of policy tools available to reduce GHG emissions. As with many transition measures, carbon markets engage a wide range of social, economic and environmental challenges that should not be understated, and which are addressed later in this submission. However, it is important that the opening paragraphs of UNIDROIT's VCC Principles provide a measured view of the role of carbon markets in the wider transition architecture. It is therefore suggested that paragraph 1 is rephrased to indicate that carbon markets are just <u>one</u> pillar or possible policy architecture to achieve reductions in GHG emissions, but not necessarily a “pivotal” or “integral” solution.	Sustainable Development Strategies Group (SDSG)		United States of America
45.	Paragraphs 1–7 and 63–68 (Purpose and evidential framing)	Qualify categorical statements that carbon markets are pivotal, that derivatives are indispensable, or that scaling necessarily produces climate benefits. These are policy propositions, not necessary premises for recognising proprietary rights. A market can efficiently trade units that lack additional mitigation, so commercial efficiency alone is insufficient. Suggested addition: “The purpose of legal certainty in these markets is to support finance for credible mitigation. Recognition of proprietary rights does not certify the	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		environmental performance of a credit, authorise a climate claim, or displace applicable environmental and social safeguards.” Clarify paragraph 4(e)(i): buying and retiring an external credit does not itself reduce the purchaser’s own emissions. Distinguish internal abatement, financing mitigation beyond the value chain, and any separately regulated compensatory claim. The Oxford Offsetting Principles provide relevant, non-binding guidance on this distinction [R4]¹¹.			
46.	Paragraph 4	We agree and support the identification, in paragraph 4 of the Introduction, that VCCs circulate across four distinct segments — jurisdictional compliance markets, sectoral compliance markets including CORSIA, cooperative approaches under Article 6 of the Paris Agreement, and the voluntary market — and the definition of Crediting Body (CB) in Principle 2(11), which expressly extends to a governmental body or an inter-governmental body, appears designed to accommodate that range. This is the right architectural choice and we would encourage the Working Group to make its consequences more explicit. The reason consistency of terms and approach across these segments matters is not presentational. A single GHG mitigation project increasingly produces units that are destined for different segments, and units are increasingly reallocated between segments after creation. The same project may issue credits retired voluntarily, credits authorised by the host country and used under CORSIA, and credits surrendered into a national emissions trading	International Emissions Trading Association (IETA) (Simon Henry)	Director of Carbon Market Development, IETA	Switzerland

11

Oxford Principles for Net Zero Aligned Carbon Offsetting, revised 2024.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		scheme. If the private law treatment of those units diverges according to the use to which they are put, the consequence is that legally identical units originating from the same verified mitigation outcome would be subject to different rules on transfer, cancellation and insolvency. That would undermine the fungibility on which liquidity depends, and would make the legal characterisation of a unit contingent on a commercial decision taken after creation. The instrument's use-agnostic definition avoids this, and we regard it as one of its more valuable features.			
47.	Paragraphs 4(e) and 6	The introduction provides that VCC markets provide a context for participants “to make a commitment to voluntarily finance GHG mitigation outcomes through the purchase of VCCs” and that VCCs represent “a mechanism for raising finance.” If such references to finance are taken literally, they may cause confusion. VCC purchase and sale transactions generally do not involve actual financing of mitigation outcomes. Although a transaction that is structured as a prepay may include a financing component, a pay on delivery structure is an offtake that provides a stream of revenues to a project without any element of actual debt or equity financing. We recommend that the Principles avoid the use of the term “financing” unless the Working Group intends to refer to actual financing as opposed to the provision of funds to a project through VCC purchase price payments.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Jeremy D. Weinstein, P.C.	
48.	Paragraph 5	“The market in VCCs is at a pivotal point in its development, transitioning from the niche voluntary market that has been supply-side focused and governed largely by NGO crediting bodies, to a more uniformly regulated demand-side market driven by both compliance and voluntary obligations and financed, like conventional global markets, by regulated entities, financiers and investors.” This statement is overly optimistic about the market’s state. Additionally, by referring to VCC markets as being financed “like conventional global markets,” the wording may suggest that they function as part of financial markets. This is better avoided, as the paper treats VCCs as intangible assets under private law and does not seek to imply a particular financial regulatory classification.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
49.	Paragraph 5	We suggest softening the final sentence, as it could be read as promoting the treatment of VCCs as conventional market or financial assets. Additionally, while legal certainty may help clarify private law transactions, the suggested language presents a broad conclusion that may not apply in all jurisdictions. The text should remain neutral and recognize that States may adopt different legal approaches. Suggest changing to: “These Principles address certain private law issues concerning VCCs, while recognizing that States may adopt different legal approaches consistent with their domestic legal frameworks.”	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
50.	Paragraph 6	Supporting market participation by project developers, investors, and others providing financing are not the only potential beneficiaries of clarifying the legal nature of VCCs. One of the major barriers to instilling confidence among market participants has been a failure to protect and secure the rights of communities living in and around project areas ¹² . While this is, as noted by UNIDROIT, a matter for government regulation, private entities also have a responsibility under the UN's Guiding Principles on Business and Human Rights to protect human rights wherever they operate, independent of States' abilities or willingness to fulfill their own human rights obligations, "over and above compliance with national laws and regulations protecting human rights" ¹³ . Where project developers are able to raise finance, distribute benefits transparently, and undertake their proposed carbon reduction or avoidance benefits is often predicated on best practice engagement with local communities. Community backlash and reported abuses have caused major crises in the market, prevented projects from moving forward, and created reputational risks for investors ¹⁴ . This paragraph highlights the importance of certainty under private law, but in doing so excludes the importance of other sources of law, both domestic and	Sustainable Development Strategies Group (SDSG)		United States of America

¹² Jes Weigelt et al., "Without Land Justice and Social Equity, Carbon Markets Will Fail", International Institute for Sustainable Development, September 3, 2025, <https://www.iisd.org/articles/deep-dive/land-justice-social-equity-carbon-markets>.

¹³ United Nations Human Rights Officer of the High Commissioner, Guiding Principles on Business and Human Rights, Geneva: 2011, Principle 11 Commentary. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf.

¹⁴ There are many examples, for instance: Kaminski, I., "Rise in legal challenges over carbon credit schemes", The Guardian, June 25, 2025. <https://www.theguardian.com/environment/2025/jun/25/courts-corporate-carbon-offsetting-claims-lse-report>; Business and Human Rights Centre. "Kenya: Court suspends Netflix and Meta's carbon credits project over land dispute with Maasai herders", May 14, 2025. <https://www.business-humanrights.org/en/latest-news/kenya-court-suspends-netflix-and-metas-carbon-credits-project-over-land-dispute-with-masai-herders/>; Rainforest Rescue, "Court halts Wildlife Works' carbon trading project in the Amazon rainforest", June 5, 2025. <https://www.rainforest-rescue.org/updates/13864/court-halts-wildlife-works-carbon-trading-project-in-the-amazon-rainforest>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		international. This paragraph would, in SDSG's submission, be stronger if it acknowledged the importance of the relationship between private law and other sources of law, including international human rights law.			
51.	Paragraph 10 (Definition of VCC)	The definition of a VCC as a unit recognized by a third-party issuer or a State appears to encompass units arising from substantially different legal and institutional arrangements. We suggest distinguishing more clearly between units issued or recognized under private crediting programmes, domestic governmental mechanisms and mechanisms established under international agreements. Such distinction would help avoid implying that these different categories of units necessarily share the same legal nature or characteristics.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
52.	Paragraphs 10–14 (Private and public carbon crediting mechanisms)	The Study appears in some instances to address units issued or recognized by private entities and by States under a common conceptual framework. We suggest clarifying that recognition or issuance under a private crediting programme and issuance or recognition pursuant to governmental authority may have different legal bases and consequences. This distinction may be particularly relevant when assessing the proprietary characteristics and transferability of VCCs under domestic law.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
53.	Paragraphs 10–18 (Recognition of units by private)	It may be useful to expressly clarify that the issuance or recognition of a unit by a private carbon crediting programme does not, by itself, imply its recognition by the State in which the underlying mitigation activity takes place.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	programmes and States)	The legal status, recognition and permissible uses of such units remain subject to the applicable domestic legal and regulatory framework. This clarification would be particularly relevant for jurisdictions that regulate, or are in the process of regulating, carbon markets and mitigation outcomes.		Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
54.	Paragraph 11	"... certain CDM methodologies and CERs are permitted under the new Paris Crediting..." Though some CERs are truly permitted under PACM for specific use cases and a period of time, but saying "Permitted" for the CDM methodologies means these methodologies are continuing to be used as is. In reality, these CDM methodologies are being reviewed and updated to align with the new PACM requirements. So, using "have transitioned" instead of "are permitted" is an accurate representation for the status of CDM under the PACM.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
55.	Paragraph 12	It is not clear how the detailed discussion of the EU ETS, especially the phasing out of free allocation, is directly relevant to defining the legal nature of VCCs. Matters such as allocation of allowances are based on the country's jurisdiction and depend on the design of each ETS, so it may be preferable to refer more generally to emissions trading schemes and provide examples (e.g., EU ETS) if needed. Additionally, we suggest avoiding language that could be interpreted as defining compliance markets solely by reference to cap-and-trade schemes. Compliance systems vary significantly across jurisdictions, and the principles	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		should remain neutral with respect to different domestic market designs.			
56.	Paragraph 12	We would recommend generally using the term "system" in place of "scheme". The following sentence could be interpreted as suggesting that emitters have individual caps under the EU ETS: "under the EU ETS primary emitters of GHGs within specified sectors are allocated a cap on their emissions". In actuality, under the EU ETS, each member state has set a cap on the aggregate emissions of its covered sectors and individual emitters within such sectors must surrender a quantity of allowances equal to their reported emissions. In order to avoid any potential misunderstanding, we would recommend that the sentence be rephrased to reflect that structure. It may also be helpful to refer to the fact that the cap declines over time, thereby reducing supply (because right now the paragraph refers only to the demand side of the market – the emissions).	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	United States of America
57.	Paragraph 13 (Factual information)	The integration of A6 credits into specific EU legal instruments is not yet decided; linkage to EU ETS is speculation at this point.	Government of Germany		Germany
58.	Paragraph 13 (Factual information)	The info on the EU ETS and the use of credits should be double-checked.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Ministry of Environment, Climate and Biodiversity	
59.	Paragraph 13	Same comment as above, unless the principle is planning to detail the design for every ETS/ compliance system globally, especially systems designed by developing countries, such as China's ETS and mentioning the announcements made by KSA for a compliance system to remain balanced. Otherwise, we highly recommend not emphasizing specific designs for systems unnecessarily and only focus on the concept for use of VCCs in compliance systems (which was already done), as well as explain that these VCCs under compliance systems may utilize Article 6 ITMOs.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
60.	Paragraph 13	We are not sure what "Canadian ETS" refers to, since Canada does not have a federal ETS. We think the Working Group may have in mind the Quebec ETS, which is limited to the Province of Quebec, but which is linked through the Western Climate Initiative (WCI) to the California State cap-and-trade system and is proposed to be linked similarly to the Washington State cap-and-invest trading system.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	
61.	Paragraphs 13, 16 and 45 (Compliance and Article 6)	Correct paragraph 13's assertion that the EU ETS will accept Article 6 units for 5% of each entity's compliance obligation from 2036. The European Climate Law provision concerns up to 5% of 1990 Union net emissions towards the EU's 2040 target; it does not itself establish that operator-level entitlement [R5]¹⁵. Delete the EU ETS example in paragraph 45 unless a precise applicable credit-surrender provision is identified. Replace "Singapore ETS" with Singapore's carbon tax framework [R6]¹⁶. In paragraph 16, distinguish authorisation for specified Article 6 uses from an ordinary cross-border sale. Mitigation contribution A6.4ERs are not necessarily confined to domestic purchasers: their defining feature is absence of authorisation for NDC or other international mitigation uses, not buyer nationality. Decision 7/CMA.4, annex I, paragraph 29(b), permits contribution-oriented uses including results-based climate finance [R7]¹⁷. Neither proprietary ownership nor international sale establishes ITMO status.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
62.	Paragraph 14	The transition between compliance and voluntary markets is not entirely clear. We suggest clarifying that this paragraph specifically describes the development of the voluntary	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

¹⁵ Council of the European Union, 2040 climate target Council gives final green light, 5 March 2026.

¹⁶ Singapore National Environment Agency, Carbon Tax, International Carbon Credits framework.

¹⁷ UNFCCC, Guiding questions for Article 6.4 Supervisory Body engagement with Parties and stakeholders at SB60, reproducing decision 7/CMA.4, annex I, paragraph 29(b), on mitigation contribution A6.4ERs.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		carbon market, as the current sequencing makes the discussion hard to follow.			
63.	Paragraph 14	The Draft Principles provide that “entities ... desired to voluntarily invest in GHG mitigation outcomes or the projects that resulted in them.” As in the case of the Draft Principles’ references to financing, as noted in our comment above, the reference in this sentence to investment may cause confusion. Very few VCC procurement transactions are structured as actual investments (meaning transactions involving an investment of capital in an entity in return for equity in that entity). The main drivers for participation by corporate and other non-governmental buyers in the VCM are not a desire to make actual investments but instead to reduce their GHG emissions, enable them to make offsetting claims, or mitigate the impact of their operations on the climate.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	United States of America
64.	Paragraph 15	We suggest reflecting more fully the principles underpinning the Paris Agreement. While all Parties are required to prepare and communicate NDCs, this is implemented in accordance with the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances, as reflected in the Agreement.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
65.	Paragraphs 16–18 (Treatment of Article 6 of the Paris Agreement)	The Study states that mechanisms under Article 6 of the Paris Agreement fall outside its scope, while concepts and units associated with Article 6 are subsequently used as contextual references. We suggest clarifying the methodological role of these references, in particular whether Article 6 mechanisms are referred to exclusively for contextual and comparative purposes and are not intended to inform the legal characterization of VCCs addressed by the Study. This would also help preserve a clear distinction between voluntary carbon markets and the mechanisms and cooperative approaches established under the Paris Agreement and relevant CMA decisions.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
66.	Paragraphs 16–18 (Legal nature versus environmental integrity)	We suggest expressly distinguishing the Study's analysis of the private-law nature and proprietary characteristics of VCCs from questions concerning their environmental integrity or climate value. The legal characterization of a VCC as an object capable of being held, transferred or otherwise dealt with under private law should not, in itself, be understood as an assessment of the additionality, environmental integrity, corresponding accounting treatment, or contribution to mitigation objectives associated with that unit.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
67.	Paragraph 16	"Under Article 6 of the Paris Agreement, three frameworks were introduced for Parties choosing to pursue voluntary cooperation in the implementation of their Nationally Determined Contributions (NDCs):..."	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The above additions are critical to remain accurate to what Article 6 is truly (it is the language in Article 6.1 of the Paris Agreement). We also recommend updating 16(a): (a) Article 6.2 introduced recording and tracking guidance for Parties to engage voluntarily in cooperative approaches that involve the use of internationally transferred mitigation outcomes (ITMOs) toward nationally determined contributions As well as 16(b) to more accurate language on what the PACM is, and the labeling of each unit: (b) Article 6.4 established a mechanism for mitigation of GHG and supporting sustainable development, known as the Paris Agreement Crediting Mechanism (PACM). It transitions the CDM to a mechanism under Paris Agreement, where carbon credits can be generated and used unauthorized (Mitigation Contribution Units – MCUs), or authorized by host countries and transferred internationally (6.4ERs), the authorized 6.4ERs then follow the same reporting requirements as Article 6.2 “ITMOs”. Also add a sub-bullet 16(c): (c) Article 6.8 introduces integrated, holistic and balanced non-market approaches to assist Parties in the implementation of their nationally determined contributions, which includes capacity building, mitigation, adaptation finance, and technology transfer as appropriate. However, these approaches do not include the transfer of VCCs and are not addressed under these principles.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Inclusion of sub-bullet 16(c) is as critical as the other points should this document want to remain inclusive and holistic to the status of Article 6 of the Paris Agreement.			
68.	Paragraph 16	Revise para 16, first line as follows: Replace “new market mechanisms” by “new carbon market approaches”. <i>Reason: Article 6.2 is not a “mechanism” as it provides (high level) guidance for a variety of country-driven cooperative approaches.</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
69.	Paragraph 17	The reference to emissions from the 15 largest airlines appears unnecessary and does not add to the explanation of CORSIA or the legal nature of VCCs. We suggest deleting this sentence.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
70.	Paragraphs 19, 24 and related discussion of REDD+ – REDD+ under the UNFCCC versus voluntary carbon standards	The Study should distinguish more clearly between REDD+ as established under the UNFCCC and the use of REDD+-related project methodologies in independent voluntary carbon markets. Under the UNFCCC, REDD+ operates through a specific framework for results-based actions and results-based finance, supported by national strategies or action plans, forest reference emission levels and/or forest reference levels, national forest monitoring systems and safeguards information. It is therefore not equivalent to a project-based carbon crediting methodology. By contrast, voluntary standards may apply project-level methodologies to activities such as avoided deforestation and generate tradable credits. This distinction is particularly important because the relationship between project-level estimates and national or jurisdictional forest accounting can have implications for transparency, consistency of baselines and the risk of overlapping claims.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
71.	Paragraphs 20 and 24 (Methodology development versus project formulation)	The description of the typical lifecycle would benefit from a clearer distinction between the development and approval of a methodology and the formulation of an individual project or activity applying an approved methodology . These constitute separate processes and may involve different actors, approval procedures and levels of oversight. Under UNFCCC mechanisms, methodologies provide the normative basis for determining eligible emission reductions or removals, setting baselines, demonstrating additionality and defining monitoring requirements, whereas the project design document applies those methodological requirements to a specific activity. The current description may create the impression that “setting the methodology” is ordinarily part of the development of each individual project, which is not necessarily the case. We therefore suggest reflecting methodology development as a distinct step preceding, or separate from, project formulation.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
72.	Paragraphs 24–26 (Relationship between methodologies, national circumstances and accounting frameworks)	The Study could further acknowledge that the role and construction of methodologies differ across crediting frameworks. In mechanisms established under the UNFCCC, methodologies are not solely project-level quantification tools: they are developed within a broader accounting architecture and must take into account relevant policies, national circumstances, baseline-setting requirements, data sources and, where applicable, sectoral or standardized baselines. Under the Article 6.4 mechanism, methodologies are required to provide the basis for determining creditable emission reductions or removals and additionality and to take into account national, regional or local circumstances. By contrast, some independent voluntary standards rely more extensively on project-specific baselines and	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		methodological approaches. We suggest reflecting this distinction, as it may affect the comparability and legal characterization of units generated under different crediting systems.			
73.	Paragraph 24 and footnote 7 (Classification as nature-based / technology-based and reduction / removal / avoidance)	The proposed classification of methodologies primarily as “nature-based” or “technology-based” may not adequately reflect the terminology and accounting categories used under UNFCCC mechanisms. Under the UNFCCC framework, the principal distinction for credited mitigation outcomes has historically focused on emission reductions and removals , irrespective of whether the underlying activity is nature-based or technology-based. We therefore suggest presenting “nature-based” and “technology-based” as descriptive characteristics of activities rather than as the principal methodological categories, and separately explaining the distinction between reductions, removals and emission avoidance. This would avoid conflating sector or technology type with the accounting nature of the mitigation outcome.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
74.	Paragraph 24 and footnote 7 (Treatment of emission avoidance)	We recommend reconsidering the statement that, for purposes of the Introduction, “avoidance is considered to fall within the scope of reduction”. This simplification may obscure an important distinction between different carbon market and UNFCCC frameworks. The Article 6.4 methodological framework currently refers to emission reductions and removals , while the possible inclusion of emission avoidance and conservation enhancement has been treated separately in the CMA process. Independent voluntary carbon standards may, by contrast, credit activities characterized as emission avoidance. The Study	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		should therefore avoid treating avoidance and reduction as interchangeable concepts and should explain that their eligibility and accounting treatment depend on the applicable crediting framework.			
75.	Paragraph 24	“Methodologies may generally fall into two main categories with potential overlaps: nature-based methodologies and technology-based” This categorization for methodologies is an over-simplification and isn’t accurate. The methodologies are usually split into removals and reductions/ avoidance. Within removals, it is either nature-based or technology-based. So, the category referenced in the principles for methodologies is a sub-category for removals approaches. You may also forego the reference to methodology types altogether, since it isn’t adding much value to the purpose of the document.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
76.	Paragraphs 24, 31 and footnote 7 (Credit types and CO2 equivalence)	Replace footnote 7’s automatic subsumption of avoidance within reduction with an explicit explanation of the terminology and mandatory separate classification where avoidance is used. Avoidance ordinarily concerns emissions prevented relative to a counterfactual; it must never be described as atmospheric removal. Because usage varies between programmes, require a methodological crosswalk rather than imply that these labels are internationally harmonised categories. Correct paragraph 24: carbon capture and storage is not inherently removal. Capture of fossil carbon before atmospheric release is an emission reduction; direct air capture followed by durable storage is removal. Biogenic	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		capture requires a net lifecycle assessment. Nature-based versus technology-based is not an adequate proxy for either category or storage durability [R3] ¹⁸ . Paragraph 31 should identify the gas, conversion metric, assessment version and time horizon. A common CO ₂ -equivalent denomination does not establish equivalence in timing, durability or suitability for compensating emissions.			
77.	Paragraph 24	Add new para before para 24 as follows: Additionality is a precondition for a GHG mitigation project being able to generate VCCs. Additionality is given if it can be shown that the project was mobilised by the revenue generated from the sale of VCCs. <i>Reason: Additionality is a cornerstone of VCC generation and needs to be explained in the introduction.</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
78.	Paragraph 24	Revise para 24 as follows: A 'methodology' specifies the determination of additionality, as well as the calculation of baseline emissions, as well as the determination of project emissions for a specific type of GHG mitigation projects. It consists of calculation procedures as well as definitions of parameters that need to be monitored, as well as procedures for such monitoring. The CB, which can be a private or public entity, often both develops its own methodologies with scientific experts and determines what third party methodologies it will accept. Each CB publishes the details of the methodologies it can accept. New projects or programmes of activity may adopt an existing methodology	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland

¹⁸ IPCC, Sixth Assessment Report, Working Group III, Chapter 12, section 12.3, and Technical Summary section TS.5.7. Scientific context for atmospheric removal and storage.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		or develop a new methodology subject to approval of the relevant CB. <i>Reason: The current wording of para 24 mixes definitions of different GHG mitigation project types with issues related to baseline and monitoring methodologies and other rules applied by a CCP. The wording should focus on baseline and monitoring methodologies.</i>			
79.	Paragraphs 27–30 (ISO standards and UNFCCC validation and verification requirements)	We suggest revising the statement that the validation and verification process is “governed by international standards, including the CCPs and ISO 14064 and 14065 standards”. This formulation may imply that validation and verification under UNFCCC mechanisms are governed by, or legally dependent upon, ISO standards. Under mechanisms established by the UNFCCC and the Paris Agreement, validation and verification requirements, accreditation/designation of operational entities and applicable procedures derive from the rules, modalities, procedures, standards and decisions adopted by the competent UNFCCC bodies. ISO standards may be relevant in other regulatory or voluntary frameworks, or may provide useful technical references, but they should not be presented as a superior or necessary normative basis for UNFCCC validation and verification.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
80.	Paragraphs 27–30 (Accreditation of VVBs versus designation of DOEs)	Relatedly, the Study should distinguish between VVBs accredited under private or domestic conformity-assessment systems and Designated Operational Entities (DOEs) operating under UNFCCC mechanisms. Under Article 6.4, the Supervisory Body establishes and applies its own accreditation standards and procedures for operational entities. A private accreditation or conformity	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR)	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		assessment based on ISO standards does not, by itself, confer competence to perform validation or verification functions under the Article 6.4 mechanism. We suggest reflecting these different institutional arrangements rather than describing VVB accreditation as a uniform element of the carbon market lifecycle.		Ministry of Environment and Sustainable Development	
81.	Paragraph 27 Principles 2(1), 2(11), and 2(12), and Commentary 2.16 to Principle 2 Commentary 14.1 to Principle 14	Paragraph 27 describes two registration functions with different legal bases. Validation is the basis for registering a project: once a VVB has confirmed that the project complies with the applicable methodology and the programme rules, the project may be registered by the CB under the relevant carbon crediting programme. Verification is the basis for the creation of units, as the subsequent confirmation that the mitigation outcome has been achieved. Paragraph 27 adds two points: project registration is carried out by the CB, which generally maintains a publicly accessible record of key project information; and the project registry is separate and distinct from the VCC registry, which contains account information. This description has further implications for the operative provisions. Commentary 14.1 states that Section VI applies only to the VCC registry and not to the project registry. Commentary 14.4 contrasts the two registries in terms of public accessibility. Through the definitions in Principles 2(10) and 2(12), the arrangement described in paragraph 27 ultimately turns on the concept of the CB defined in Principle 2(11).	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The functional distinction described in paragraph 27 is fully reflected in the Russian framework for the issuance of carbon units. Validation as the basis for project registration: under the Procedure for Assessing a Project's Compliance with the Requirements for a Climate Project (Validation), approved by Order No. 362 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026, the assessment is carried out by an accredited person that is not affiliated with the project implementer. The assessment results in a statement on the project's compliance with the requirements for a climate project; where the statement is positive, the climate project implementer may initiate the entry of information on the project in the carbon unit registry. Verification as the basis for the creation of VCCs: under paragraph 3 of the Procedure approved by Order No. 362 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026, verification is carried out by a legal person or individual entrepreneur accredited in the national accreditation system as a VVB and not affiliated with the climate project implementer. Recording both categories of information: under Article 10(1) of Federal Law No. 296-FZ of 2 July 2021 'On Limiting Greenhouse Gas Emissions', the carbon unit registry contains information on climate projects, carbon units placed into circulation as a result of those projects, transfers of carbon units by their owners to other persons, and retirement of carbon units. The registry is established and maintained, and transactions are carried out, by the registry operator in accordance with a procedure prescribed by the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Government of the Russian Federation. That procedure is set out in the Rules for the Establishment and Maintenance of the Carbon Unit Registry and for Transactions with Carbon Units in the Carbon Unit Registry, approved by Resolution No. 790 of the Government of the Russian Federation dated 30 April 2022. The fact that both functions are performed within a single information system is not inconsistent with paragraph 27: that paragraph distinguishes what is recorded, rather than requiring two separate systems. For example, the Verra registry was administered for many years by external service providers before those functions were moved to the programme's own platform.¹⁹ The new registry is integrated with the project module, so a project's status can be viewed in a single interface from its entry into the pipeline and validation through to issuance, transfer, and retirement of units, whereas previously several systems had to be consulted.²⁰ EcoRegistry provides a different example: the platform serves several independent standards at once.²¹ This demonstrates that, in practice, the separation is between the crediting programme and the registry operator, rather than between project records and unit records, while both registration functions may remain within a single system.			

¹⁹ Verra. Verra to Transition to a Single In-House Registry. 2019. URL: <https://verra.org/verra-to-transition-to-a-single-in-house-registry/>.

²⁰ Verra, S&P Global Launch New Carbon Project Registry // ESG Today. 2026. URL: <https://www.esgtoday.com/verra-sp-global-launch-new-carbon-project-registry/>.

²¹ Projects certified under Cercarbono are hosted on the infrastructure of its registry provider EcoRegistry: S&P Global Commodity Insights. Colombia's Cercarbono Selects Meta Registry Connectivity Platform. 20.11.2024. URL: <https://press.spglobal.com/2024-11-20-Colombias-Cercarbono-Selects-Meta-Registry-R-Connectivity-Platform-of-S-P-Global-Commodity-Insights>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The divergence lies not in the distinction between the functions, but in the person to whom paragraph 27 assigns them. Paragraph 27 assumes that project registration is carried out by the CB — the same entity that, under Principle 2(11), approves the methodology, approves or authorizes the VVB, and approves the positive verification statement. Under the Russian framework, these functions are distributed among separate entities acting on different legal bases: • Development and approval of methodological standards — the Federal Agency for Technical Regulation and Metrology (Rosstandart); • Establishment of requirements for climate project methodologies and their classification — the Ministry of Economic Development of the Russian Federation (Order No. 364 dated 5 May 2026); • Establishment of the criteria for a project to qualify as a climate project — the Ministry of Economic Development of the Russian Federation (Order No. 361 dated 5 May 2026); • Authorization of the verifier — the national accreditation body; • Validation and verification — an accredited greenhouse gas validation and verification body; • Project registration — the registry operator, on application by the project implementer; • Issuance and recording of units — the registry operator. No entity in this regulatory framework performs all of these functions. Principle 2(11), however, requires all of them to			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		be performed by a single person, with the result that none of the relevant entities satisfies the definition of a CB as currently formulated. Clarification is therefore needed as to whether a CB may be understood as comprising several bodies or persons among whom the specified functions are allocated. In our view, this divergence cannot be fully resolved by interpreting the existing wording of the Principles and requires the relevant provisions to be supplemented and clarified. Principle 2(11) allows a governmental body to be a CB. The national accreditation body, however, acts under separate federal legislation and accredits validation and verification bodies generally, rather than for a particular crediting programme. The registry operator is a jointstock company and therefore is not a governmental body. A group of heterogeneous entities acting on different legal bases does not constitute a single 'person' for the purposes of Principle 2(11). Even if a single crediting body were assumed, there would still be no carbon crediting programme within the meaning of Principle 2(12), because a CCP is defined by reference to the rules and requirements of the CB, whereas in Russia, for example, the relevant rules are established by federal legislation and subordinate legislation. It would follow that a climate project is not a GHG mitigation project within Principle 2(10), and that the unit resulting from it is not a VCC within Principle 2(1)(a). The divergence first apparent			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		in the description in paragraph 27 would therefore extend throughout the operative provisions. There is, however, no substantive divergence. The Russian procedure replicates every stage described in the Introduction: project validation, entry of project information in the registry, monitoring and reporting, independent verification, issuance of units to an account, transfer, and retirement. The divergence is purely formal and results from the narrowly drawn definitions. The issue described above is not specific to Russian law. The requirement that all three functions be vested in a single entity reflects the structure of independent carbon standards, where the programme and its administration are concentrated in one organization. In governmental and inter-governmental schemes, the allocation of rulemaking, accreditation, and registry functions among different bodies is not exceptional, but an ordinary consequence of administrative structure. In our view, similar issues arise in relation to the Paris Agreement Crediting Mechanism and schemes recognized under CORSIA. Importantly, the draft already permits functions to be carried out by different entities. Introduction paragraph 36 recognizes that a VCC registry may be operated by an independent service provider, while Commentary 2.16 expressly states that the CB and the registry operator may be different legal persons. Market practice confirms this. Registry platforms exist that serve several independent standards at the same time: for example, projects certified under the Colombian Cercarbono standard are hosted on the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		infrastructure of its registry provider, EcoRegistry, and are located in Colombia, Brazil, Mexico, Peru, Türkiye, Ghana, Laos, Nepal, Viet Nam, and other countries.²² In some jurisdictions, the crediting programme and the registry are operated by different persons. In 2025, Zimbabwe established a national carbon registry managed by a national authority, while the units themselves are issued under the rules of private programmes; the new registry's first transaction was an inter-registry transfer of units from the Gold Standard registry.²³ Finally, the draft itself recognizes such separation: according to Commentary 4.49, the registry for the Paris Agreement Crediting Mechanism is administered by the UNFCCC Secretariat under the supervision of the Article 6.4 Supervisory Body, so programme oversight and registry operation are assigned to different entities. We also note that the two functions distinguished in paragraph 27 are not autonomous. Registration of VCCs changes the recorded status of the climate project: the quantity available for issuance is reduced, and the information on how many VCCs remain to be issued is updated. The Rules approved by Government Resolution No. 790 reflect this by requiring, upon registration of a climate project, information on the number of carbon units expected			

²² S&P Global Commodity Insights. Colombia's Cercarbono Selects Meta Registry Connectivity Platform. 20.11.2024. URL: <https://press.spglobal.com/2024-11-20-Colombias-Cercarbono-Selects-Meta-Registry-R-Connectivity-Platform-of-S-P-Global-Commodity-Insights>.

²³ Carbon Trading (General) Regulations, Statutory Instrument 48 of 2025 (Zimbabwe), section 7 — establishment of the Zimbabwe Carbon Registry under the management of the Zimbabwe Carbon Markets Authority. On the launch of the registry and its first inter-registry transfer, see: African Climate Wire. Zimbabwe Finalises Carbon Market Regulations and Launches Registry. 30.05.2025. URL: <https://africanclimatewire.org/update/zimbabwe-finalises-carbon-market-regulations-and-launches-registry/>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		to be issued. The applicant in both procedures is the same person — the project implementer. Proposed amendments: (1) Introduction paragraph 27. Express the distinction in functional terms: the two registration functions, based respectively on validation and verification, may be performed within one or more information systems by one or more persons; registration of VCCs changes the recorded status of the relevant project. (2) Principle 2(11). Amend the definition as follows: 'CB' (crediting body) means one or more persons, each of which is a legal person, a governmental body, or an inter-governmental body, and which collectively, in relation to a VCC: (3) Principle 2(12). Add a statement that the rules and requirements of a carbon crediting programme may be established by legislation or other regulatory acts of a State. (4) Commentary to Principle 2. Add a paragraph as follows: The functions listed in Principle 2(11)(a) may be performed by one person or by several persons acting within a single carbon crediting programme. The latter arrangement is characteristic of schemes established by States, in which responsibility for setting the methodology, authorizing validation and verification bodies, and maintaining the unit records is allocated among different public bodies. Such an allocation does not prevent those persons collectively from being treated as the crediting body, provided that each of			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		them satisfies the independence requirement in Principle 2(11)(b). (5) Commentary 14.1. Clarify that Section VI applies to the part of the system in which accounts are maintained and units are recorded, irrespective of whether that part is technologically separate from the system in which project information is recorded. These amendments would not relax any substantive requirement of the draft. All functions would still have to be performed, and the independence requirement would continue to apply separately to each person, making the requirement stricter rather than less stringent. The Russian framework satisfies that requirement: allocating functions among separate bodies provides a greater degree of independence than concentrating them in a single person. At the same time, the amendments would remove the anomaly whereby VCCs created under a stringent State procedure involving independent verification fall outside the scope of the Principles, while VCCs created under the rules of a private organization are covered. That result appears inconsistent with the objectives set out in Introduction paragraphs 4-7.			
82.	Paragraph 33 Principle 2(1)(b) and Commentary 2.15	Paragraph 33 treats approval as a separate stage. Once a positive verification statement has been obtained, the project developer submits it to the CB for approval of the generation of VCCs. If the CB approves the statement, it either directs the registry to record the VCCs in the relevant account or notifies the project proponent that it may request such registration. Commentary 2.15 explains the relationship between approval and registration: approval is	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the process by which a positive verification statement results in registration of the VCC and, although approval may occur shortly before or even contemporaneously with registration, the two are conceptually distinct. Commentary 2.16 adds that the CB and the registry operator may be the same legal person, even though the Principles treat the functions separately. The structure of Principle 2(1), which lists approval in sub-paragraph (b) and crediting to an account in sub-paragraph (c) as separate conditions, indicates that approval is a substantive requirement involving a review of the verification statement for compliance with the applicable methodology and programme rules. The Russian framework contains all the elements that constitute approval for the purposes of paragraph 33, but does not embody them in a separate decision. The criteria are established in advance by legislation, namely Order No. 361 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026. Verification of the achievement of the mitigation outcome and its compliance with these criteria is carried out by a validation and verification body accredited in the national accreditation system and not affiliated with the climate project implementer (paragraph 3 of the Procedure approved by Order No. 362 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026). A report on implementation of the climate project, together with the verification report, is submitted to the registry operator, which conducts a substantive review and may refuse to make the relevant entry on the grounds specified in the Rules for the Establishment and Maintenance of the Carbon Unit Registry and for Transactions with Carbon Units in the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Carbon Unit Registry, approved by Resolution No. 790 of the Government of the Russian Federation dated 30 April 2022. The units come into existence when they are credited to an account (Article 10(1) of Federal Law No. 296-FZ of 2 July 2021). A decision is therefore made as to whether the submitted statement satisfies the applicable requirements and whether the units should be issued. As a general rule, however, that decision is expressed not in a separate approval instrument, but in the act of making the issuance entry itself: refusal to make the entry amounts to refusal of approval, while making the entry amounts to approval. An exception applies to projects implemented for the purposes of the Russian Federation's international cooperation. From 1 September 2026, such projects are subject to an additional registration condition requiring project approval (sub-paragraph (b) of paragraph 4 of the Additional Conditions approved by Resolution No. 234 of the Government of the Russian Federation dated 5 March 2026), so a separate approval instrument does exist. The result is that the same registry contains units that satisfy the definition in Principle 2(1) in full and units that satisfy it except for sub-paragraph (b), even though the remainder of the creation process is identical. This is not a defect in the relevant unit within the meaning of Principle 10(1)(b), which contemplates the possibility that a required act of approval may be treated as absent; rather, it is a question of the scope of the Principles. The draft does not currently address this situation, even though the answer determines the applicability of Principles 7, 15(4)-(5), 19, and 21-23, and whether units are of the same description for the purposes of Principles 17(2) and			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		19(4)-(6). The amendment proposed below would eliminate this split. On a literal reading of paragraph 33 and Commentary 2.15, an issuance process in which the approval decision is not embodied in a separate act but is expressed through the act of making the registry entry does not satisfy the approval requirement. In schemes where the criteria are established in advance by legislation, compliance is assessed by an independent accredited person, and the authority of the person operating the registry is exercised through a decision whether or not to make the entry, no separate approval instrument arises. The condition in Principle 2(1)(b) is therefore not met, and the units issued fall outside the definition of a VCC, even though all substantive elements of approval are present and distributed across acts that each have independent legal effect. Proposed amendments: (1) Add the following paragraph to the Commentary to Principle 2: 'Approval of a positive verification statement does not require any particular form. It may be expressed in a separate decision of the CB or in the act of crediting the VCC to an account, provided that the statement has first been reviewed for compliance with the applicable methodology and that crediting may be refused as a result of that review. This arrangement is characteristic of schemes established by States, in which the applicable criteria are established in advance by legislation, compliance with those criteria is assessed by an independent validation and verification body,			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		and the authority of the person operating the registry is exercised through the decision whether or not to credit the VCC. This clarification does not remove the independent significance of the condition in Principle 2(1)(b): crediting carried out without any review does not constitute approval. Nor does it prevent a State from requiring a separate approval instrument for particular categories of projects; in that case, the condition in Principle 2(1)(b) is satisfied both for those projects and for projects in which approval is expressed through the act of crediting.' (2) Alternatively, the text of the Principles themselves could be amended by replacing Principle 2(1)(b) with the following: '(b) The positive verification statement is approved by a CB, and such approval may be expressed through the act of crediting the VCC to an account;' Should the Working Group prefer not to amend the operative text, the same result could be achieved by adding to Commentary 2.15 a statement that approval does not require any particular form and that the condition in Principle 2(1)(b) is satisfied where the decision to issue VCCs is taken on the basis of criteria established in advance and is expressed through the act of making the issuance entry, including where approval and the decision to credit are made by the same person through the same act. (3) Correspondingly amend Introduction paragraph 33 to state that approval may be expressed directly through a decision by the person operating the registry to credit VCCs			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		to an account. In that case, no separate instruction to the registry from the CB is required because both functions are performed through the same act.			
83.	Paragraph 35	Ex-ante certificates and the risk of overstatement before verification. Introduction paragraph 35 correctly excludes ex-ante certificates from the definition of a VCC, since they are issued before the GHG mitigation outcomes have occurred and "do not constitute VCCs since the GHG mitigation outcomes have not occurred and verification has not yet taken place." Ex-ante certificates may legitimately be used to signal a future supply pipeline of VCCs and thereby attract market support and early finance. However, any overestimation of anticipated carbon reductions that results in the improper attraction of market benefits before verification poses a serious risk to the credibility of both the individual credits and the wider VCC market once the underlying outcome is finally verified and found to fall short. Such overestimation undermines confidence in the integrity of transactions founded on the expectation of a matching VCC and must be addressed with appropriate seriousness. Recommendation. The draft should expressly caution, in commentary to Introduction paragraph 35, that while ex-ante certificates may be employed to indicate a prospective pipeline of VCCs, any overestimation of carbon-reduction outcomes that confers undue market benefits before verification shall be treated as a material integrity issue, and that robust verification, disclosure and remedial mechanisms should accompany their use.	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
84.	Paragraphs 37-40 (Co-benefits and labels)	The Draft acknowledges co-benefit labels but does not address the legal consequences of misrepresentation and double accounting risks regarding biodiversity, social, or community benefits associated with a VCC. The commentary could clarify that environmental and social attributes attached to a VCC are distinct from the underlying proprietary interest and may be subject to separate legal requirements, verification standards, and liability frameworks. This clarification would be particularly relevant as biodiversity, water, and social markets increasingly interact with carbon markets.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
85.	Paragraphs 37-40 (Social and environmental safeguards)	It is recommended to clarify, in the description of social and environmental safeguards, that the requirements established by private crediting programmers are complementary to, and do not replace, compliance with the law applicable in the jurisdiction where the mitigation activity is carried out. Accordingly, compliance with private standards should not be regarded as evidence of compliance with applicable domestic obligations concerning environmental and social matters, human rights, participation, prior consultation where applicable, territorial rights, or other social, environmental and cultural safeguards required under the domestic legal framework of each State.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
86.	Introduction, paragraphs 37-39 Principle 4; Commentary 4.6	<u>Issue</u> Paragraphs 38 and 39 of the Introduction refer to consultation, free, prior and informed consent, and other social and environmental safeguards without clearly distinguishing between requirements arising under applicable international or domestic law and those established by voluntary carbon-crediting programmes or	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		integrity frameworks. This may create uncertainty regarding the legal source of each requirement and whether it is binding on the State or only on project participants. <u>Recommendation</u> Clarify that obligations concerning consultation, free, prior and informed consent, land and natural-resource rights, community and Indigenous Peoples' rights, and human rights are determined by the international and domestic law applicable to the State and the project concerned. Requirements imposed by a carbon-crediting programme apply according to the rules of that programme and do not, by themselves, create obligations for States under international law. The Principles should also state that they do not affect rights or obligations arising under applicable international or domestic law.			
87.	Paragraphs 37 -38	The drafters should clarify that the generation and creation of VCCs is also subject to the applicable laws of the jurisdiction where the Project is located ("host State law") and ought to be subject to international soft law principles such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGTs). In addition to the CB requirements mentioned in the referred paragraphs, the Principles should clarify that, in land-based carbon projects, applicable domestic laws of the host State may also, where relevant: (i) establish or regulate the original legal title to VCCs generated from mitigation activities undertaken in the	Sustainable Development Strategies Group (SDSG)		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		territories or areas of Indigenous Peoples (IPs) and other relevant rights holders²⁴ (ii) establish benefit-sharing requirements²⁵; and (iii) set requirements relating to free, prior and informed consent (FPIC), including consent resulting from free, prior and informed consultation, as provided for in Convention No. 169 of the International Labour Organization (ILO) concerning Indigenous and Tribal Peoples²⁶. The Principles should also expressly recognize that, while in many jurisdictions the question of community ownership of			

²⁴ See, for example, Brazilian Law No 15.042, 11 December 2024, art 43(V)–(VIII) (“Brazilian Law No 15.042”), Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l15042.htm; In Ethiopia, following its [National Carbon Market Strategy 2025–2035 \(2025\)](#), which highlights the ambition to position the country as a leading source of high-integrity carbon credits while ensuring social ownership and sustainable development, the government recently enacted the Forest Carbon Trading (Amendment) Directive No 1141/2026. Article 7(1) expressly provides that forest owners, including local communities and individuals, hold ownership rights and legal title to Forest Carbon Credits generated from Forest Carbon Credit Projects undertaken in or on their forests. Available at: https://justice.gov.et/wp-content/uploads/2026/05/1141_Forest_Carbon_Trading_Amendment_Directive_Number_1141_2026.pdf.

²⁵ See, for example, Brazilian Law No 15.042, Art. 47, I, (b); Tanzania, Environmental Management (Control and Management of Carbon Trading) Regulations, 2022 (GN No 636 of 2022), reg 34(2)(c), as amended by Environmental Management (Control and Management of Carbon Trading) (Amendment) Regulations, 2023 (GN No 721 of 2023), Available at: https://media.tanzlii.org/media/legislation/47141/source_file/e560449924e51d6b/tz-act-gn-2022-636-publication-document.pdf; Kenya, The Climate Change (Carbon Markets) Regulations, 2024, Legal Notice No 84 of 2024, section 29 (on Annual social contribution), Available at: https://climate-laws.org/documents/climate-change-carbon-markets-regulations-2024_416b, among others.

²⁶ See, for example, Brazilian Law No 15.042, Art. 47, I, (a); Peru, Ley Marco sobre Cambio Climático, Ley No 30754, Art. 22, (18 April 2018). Available at: https://www.dar.org.pe/wp-content/uploads/2019/01/LEY-N%C2%BA-30754_Ley-Marco-CC-Traduccion-Ingles.pdf (English Translation); Peru, Ley Forestal y de Fauna Silvestre, Ley Nº 29763, Art. II (3), (22 July 2011), Available at: <https://www.minam.gob.pe/wp-content/uploads/2017/04/Ley-N%C2%B0-29763.pdf>, among others. Kenya, The Climate Change (Carbon Markets) Regulations, 2024, Legal Notice No 84 of 2024, reg 16(l), Fourth Schedule (r 22(4)(c)), paras 3–4 (Template for the Community Development Agreement), available at: https://climate-laws.org/documents/climate-change-carbon-markets-regulations-2024_416b; Government of Kenya, Community Land Act, 2016, Section 36; In *Osman & 164 others v Northern Rangelands Trust & 8 others* [2025] KEELC 99 (KLR), the Environment and Land Court at Isiolo (Kenya) held that the establishment of conservancies in Chari and Cherab wards was undertaken without due public participation and was consequently unconstitutional. The Court further declared the affected conservancies to be operating illegally and issued permanent injunctions prohibiting the respondents from undertaking conservancy operations or other activities on the unregistered community land. Although the judgment did not determine the validity or ownership of VCCs generated from those activities, the Court’s findings raise an important question as to whether carbon credits generated from activities undertaken on community land, in circumstances where the underlying activities were subsequently declared unconstitutional and illegal and where the affected communities held protected property rights, can be regarded as legally created carbon credits. Available at: https://www.climatecasechart.com/documents/osman-v-northern-rangelands-trust-judgment_2373. In Colombia, a similar determination by its Constitutional Court was held in the case *Pirá Paraná and others vs la Corporación para el Manejo Sostenible de los Bosques and others* (Corte Constitucional de Colombia, Sentencia T-248/24 (25 June 2024), Available at: <https://www.corteconstitucional.gov.co/relatoria/2024/T-248-24.htm>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		carbon credits generated from land over which communities may hold legal title or customary rights remains unsettled, this issue may have direct implications for the creation and ownership of VCCs ²⁷ . Furthermore, even in jurisdictions where customary tenure rights remain unsettled, robust international soft law principles like the VGGTs should apply; otherwise, carbon markets risk becoming a tool for dispossession of legitimate rights instead of recognition and security for community rights.			
88.	Paragraph 38	Avoid the explicit reference to ‘human rights’ and instead refer more generally to social and environmental safeguards, as terminology and requirements vary across mechanisms, standards and countries.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
89.	Paragraphs 38-40 Principle 2, Commentary 2.4 Principle 17(2) Principle 19(4)-(6)	The definition in Principle 2(1) contains four conditions; compliance with safeguards, satisfaction of integrity thresholds, and additional certifications are not among them. Commentary 2.4 states that the definition lists only the facts and events necessary for a VCC to exist. It follows that the matters described in Introduction paragraphs 38-40 are not constitutive elements of a VCC. That relationship, however, is not stated expressly. Paragraphs 38-40 are framed as contextual description, without explaining their relevance to the definition. This creates uncertainty in at least three respects. First, it remains unclear whether compliance with safeguards is a condition for a VCC to exist. If so, a subsequently discovered breach of the safeguards would mean that a	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

²⁷ For instance, and as noted above in our comment on para. 37 of the Principles, Kenya’s Climate Change (Carbon Markets) Regulations, 2024, leave this legal issue entirely unaddressed.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		constitutive act was defective and could open the way to revocation under Principle 10(1)(b) on the basis of complete nullity. In our view, that result would not reflect the intended scheme of the draft. Second, the relationship between eligibility criteria for a particular use scheme and the criteria for the existence of a VCC remains unclear. Paragraph 39 refers to CORSIA requirements concerning disclosure of sustainable development criteria. Yet whether a VCC is eligible for submission under a particular compliance scheme is governed by the rules of that scheme and, under Principle 4(2)(b), lies outside the proprietary aspects addressed by the Principles. Conflating these two categories could suggest that only VCCs issued under a programme designed for a particular use mechanism can qualify as VCCs. Third, the legal significance of the labels and additional certifications described in paragraph 40 remains uncertain. The paragraph states that they increase the value of a unit, but does not explain whether they affect its legal characterization. This raises the broader question whether differences between VCCs in their associated attributes should give rise to separate legal categories. In our view, they should not. Units may of course differ in fact, and that difference may arise as early as the project-planning stage: an implementation plan may provide for verified co-benefits to attach to part, but not all, of the mitigation outcome achieved. Units from the same project may therefore differ			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		in price and in the range of potential acquirers. That heterogeneity, however, is commercial rather than legal. Creating separate legal categories of VCCs would also be counterproductive. Legal sub-classes would fragment the regime, whereas the value of the Principles lies in a single definition that applies to all VCCs irrespective of the programme or type of project. The existing framework can accommodate the necessary differentiation. Commentary 2.4 allows a VCC to confer additional private-law rights. Commentary 17.12 expressly states that fungibility is not a technical characteristic of a VCC but a matter of market practice, and that VCCs treated by market participants as fungible are described as being 'of the same description'. The draft therefore already contains the necessary mechanism for differentiation: distinctions are drawn at the level of description and market practice, rather than legal characterization. VCCs with different sets of labels are simply not VCCs of the same description and do not form part of the same undivided pool. Proposed amendments: (1) Add the following statement to paragraph 38 or to the Commentary to Principle 2: 'Requirements relating to social and environmental safeguards, integrity thresholds established by marketgovernance bodies, and VCC eligibility criteria do not form part of the definition of a VCC and are not qualifying characteristics. Compliance with such requirements affects the value of a VCC and whether it may be used for particular purposes, but not its existence as an asset capable of being			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the subject of proprietary rights. Noncompliance with such requirements does not, in itself, constitute a ground for a VCC to be treated as void under Principle 10.' (2) Add the following statement to paragraph 40 or to the Commentary to Principle 2: 'Additional certifications and labels do not alter the content of proprietary rights in a VCC or create separate legal types of VCC. Differences between VCCs in these attributes are reflected through pricing and through market practice in determining whether VCCs are of the same description for the purposes of Principle 17(2) and Principle 19(4)-(6). VCCs carrying different sets of labels are not VCCs of the same description.' (3) For the avoidance of doubt, add to the Commentary that each VCC represents a mitigation outcome equivalent to one tonne of CO2, irrespective of the type of project and the associated co-benefits. Differences in the value of the outcome achieved should be reflected in the applicable methodology, in labelling, or in price, rather than in the number of units created.			
90.	Paragraph 40	Consider removing the reference to 'gender-related outcomes' and keeping the description broader, as co-benefit labels typically relate to social, community, biodiversity, or sustainable development impacts.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
91.	Paragraph 41 (Derivatives, options, futures and short sales)	The UNIDROIT Principles recognises that spot, forward, futures and option transactions exist in the VCC market (par.41). However, these transactions fall outside the scope of the Draft Principles, which focus primarily on the private-law aspects of VCCs, including their legal nature, proprietary	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge</i>	Dr Sami Al Suwailam, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		rights, transfer, custody, cancellation, security interests and insolvency. Shariah assessment: The IsDB Shariah Board's Resolution expressly prohibits transactions involving carbon credit certificates that are not Shariah-compliant, including options, futures, short sales and other conventional transactions of a similar nature. Accordingly, these structures should be excluded from Islamic finance transactions involving VCCs, notwithstanding their recognition as existing market practices in the UNIDROIT materials.	<i>contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>		
92.	Paragraph 43	We suggest aligning this paragraph with Principles 8(3)(a), 8(4), and 15(2)(c)(iii), which contemplate that notice of retirement may be given to the registry operator rather than only to the CB.	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation
93.	Paragraphs 44-45	The Draft Principles should note that retirement of a VCC is the functional equivalent of consuming a commodity (because retirement of the VCC allows the carbon removal or reduction represented by the VCC to be applied against emissions from activities such as burning natural gas). The Draft Principles should note that a VCC has two primary uses: either enabling the holder to make a claim of voluntary offsetting or mitigation or for other voluntary purposes or to meet a compliance obligation.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	
94.	Paragraphs 46–50 (Proposed reversal provision)	Add an operative rule for reversals rather than leaving them principally to commentary. Require continuing monitoring, prompt reporting, independent quantification, notification and time-bound remediation for both retired and unretired credits. Specify the responsible entity and a funded backstop if the project developer or programme fails. Replacement must preserve the relevant mitigation function: reversal of a CO2 removal claim should be remedied with additional CO2 removals of at least equivalent durability, conservatively accounting for delay and uncertainty. A cheaper avoidance credit is not an automatic substitute. Prevent use of the replacement for a second claim. Require transparent buffer contributions, risk assessment, stress testing for correlated losses, replenishment and a response to exhaustion. Do not treat a nominal tonne-for-tonne buffer or an insurance policy as proof of equivalent durability. Mere withholding of hypothetical future issuance should not be described as verified remediation of an existing atmospheric deficit.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
95.	Paragraph 47 (Bracketed text)	Better remove the bracketed text. It collides with your narrow definition of VVCs.	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
96.	Paragraph 47	Revise first sentence of para 47 as follows: If the project involves a store of GHGs (such as a forest, soils or geological reservoir) and some or all of the GHGs in the store are released into the atmosphere, then some or all of the GHG mitigation outcomes of the relevant project are reversed. <i>Reason: The current wording of para 47 gives the impression that reversals can only happen on the case of removals projects. This is not the case, as emissions reductions from forest protection can also be reversed if the forest is destroyed.</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
97.	Paragraphs 48-50 Principles 2, 10, 11, and 19	Systemic issue Principle 3(1) provides that a VCC can be the subject of proprietary rights (see the more detailed analysis below in Comment No. 11). Commentary 2.9 explains that a VCC represents the verified fact that a mitigation outcome had been achieved at the time of creation; subsequent factual changes do not affect the existence of the unit. Commentary 2.10 states this expressly in relation to a reversal: a reversal does not affect the existence of a VCC as an asset capable of being the subject of proprietary rights. This implies a conclusion that is not stated affirmatively in the text: a reversal is neither a ground for revocation (Principle 10(1) contains an exhaustive list of grounds) nor a case of overissuance (Principle 11(1) concerns only deficiencies existing at the time of creation). Cessation of a VCC as an object of civil rights	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Russian law permits an object of civil rights to cease to exist because of a defect that existed at the time the object arose, where legislation expressly so provides. Examples include cancellation of securities following a declaration that their issue is invalid (Article 26 of Federal Law No. 39-FZ of 22 April 1996 'On the Securities Market'); invalidation of a patent, which is then treated as invalid from the filing date (Article 1398 of the Civil Code of the Russian Federation); and invalidation of the grant of legal protection to a trade mark (Articles 15121513 of the Civil Code of the Russian Federation). At the same time, legal consequences that arose before the defect was established are often mitigated in favour of persons who relied on the object's existence. Article 1398(4) of the Civil Code preserves licence agreements to the extent that they had been performed by the time the patent was invalidated, while Article 26 of Federal Law No. 39-FZ provides for the return to holders of funds received by the issuer. Russian law does not recognize the cessation of an object solely because of circumstances arising after it came into existence and affecting only its value. Destruction of a tangible thing terminates ownership because the object has physically ceased to exist (Article 235 of the Civil Code of the Russian Federation), but reversal has no such effect on a VCC: the VCC remains as a registry position, while only the factual circumstances to which it related have changed. The draft itself adopts the same logic in Commentary 2.12, which notes that disclosures after the filing date do not retrospectively destroy novelty, whereas defects existing at the filing date may result in invalidity.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Buffer pools and insurance Paragraph 47 presents buffer pools and insurance as separate mechanisms. A buffer pool, however, is another application of the same risk-allocation concept in the form of a collective fund: each project contributes part of its verified outcome, and coverage is provided to the participant whose project experiences a reversal. Paragraph 47 also expressly describes a programmelevel pool created by a CB to address reversals across several projects using the same type of methodology, that is, a pool of homogeneous risks. The real distinction lies not in the nature of the mechanism, but in the form of coverage and the beneficiaries: a pool provides inkind coverage and restores the aggregate balance, whereas insurance for an individual holder may provide either a replacement unit or monetary compensation to that holder. Unresolved consequences of using a buffer pool (a) Legal nature of units in the pool. Paragraph 47 describes a pool in two ways: as an arrangement in which only part of the verified outcomes results in VCCs, and as a pool of VCCs used to address reversals across several projects. Under the first model, no VCCs are created, so no issue of rights in them arises. Under the second, VCCs are created; someone must therefore be their registered holder, while the project proponents that contributed portions of their mitigation outcomes have some form of claim in respect of the pool. Both questions are matters of private law and are not addressed by the draft.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		(b) Possible characterization as insurance activity. Treating a pool as a form of mutual insurance may trigger the application of insurance legislation (in the Russian Federation, Chapter 48 of the Civil Code and Federal Law No. 286-FZ of 29 November 2007). Regulatory matters fall outside the Principles, but drawing States' attention to this possibility would be useful for implementation; alternatively, the pool could be characterized as a guarantee fund. Relationship between the size of the buffer pool and the actual reversal A buffer pool is established on the basis of an ex ante risk assessment: a proportion of verified outcomes is allocated to it by reference to the forecast probability of reversal. The reversal itself is a factual event, and its magnitude does not depend on that assessment. A divergence between forecast and reality is inherent in the design of the pool; the only question is who bears the risk that the forecast proves too low. The draft does not answer that question. Paragraph 47 describes the buffer pool as a mechanism for ensuring that there is no accounting deficit between the number of VCCs in circulation and the aggregate mitigation outcomes, but assumes that the pool will be sufficient for that purpose. Neither the Introduction nor the operative provisions address a situation in which the actual reversal exceeds the pool. Yet that is precisely where the legal issue arises: while the pool is sufficient, there is no legal problem at all. The absence of such a rule is particularly conspicuous because the draft contains loss-allocation rules for structurally similar situations. Principle 10(7) establishes a cancellation waterfall for revocation, including a default rule			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		of pro rata allocation. Principle 19(6) allocates a shortfall in an undivided pool on the insolvency of a custodian among the relevant clients pro rata. Both rules address the same problem: allocating a loss among persons who were not responsible for causing it. There is no comparable rule for an insufficient buffer pool. The practical consequence of this gap is that, if the pool is insufficient, the CB has no legal mechanism for restoring the balance. The only available mechanism is to request voluntary cancellation from holders who are not responsible for the reversal and are entitled to refuse. Russian regulation does not fully resolve the issue either. From 1 September 2026, methodologies for international cooperation require a proportion of carbon units to be credited to a reserve account in the registry (requirements approved by Order No. 364 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026). The reserve proportion is, however, determined by the methodology in advance, and the consequences of an actual reversal exceeding the reserved quantity are not specified. Application to national law From 1 September 2026, the Russian Federation has introduced a mechanism functionally equivalent to a buffer pool. Under Article 2(23) of Federal Law No. 296FZ of 2 July 2021, as amended by Federal Law No. 578FZ of 29 December 2025, a reserve account is a dedicated account in the carbon unit registry. It is used for transactions with carbon units from climate projects where there is a risk of greenhouse-gas release during project implementation or the maintenance of project outcomes. Under Article 9(7),			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		when carbon units from such a project are placed into circulation, the proportion specified by the methodology must be credited to the reserve account. The procedure for implementing projects subject to reversal risk is prescribed by the Government of the Russian Federation (Article 9(8)), as is the procedure for transactions on the reserve account (Article 10(12)). The relevant instruments have been adopted: Resolution No. 994 of the Government of the Russian Federation dated 10 August 2026, approving the Rules for Transactions by the Operator with Carbon Units on the Reserve Account (effective from 1 March 2027), and Resolution No. 1121 of the Government of the Russian Federation dated 1 September 2026. At the methodology level, the mechanism is further specified by Order No. 364 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026. That Order classifies methodologies according to whether the project involves reversal risk; for methodologies involving such risk, it requires a risk assessment and risk-management plan, and for international-cooperation methodologies it additionally requires quantitative risk indicators, the proportion of units to be reserved, and a procedure for revising the assessment. We note that the Russian model differs substantially from the arrangement described in Introduction paragraph 47: the reserved proportion is credited directly to a dedicated account at issuance and never enters the project implementer's account. There is therefore no need for subsequent debiting of units without the owner's consent — an issue of fundamental importance in Russian law (Article 35(3) of the Constitution of the Russian Federation and			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Article 235 of the Civil Code of the Russian Federation) that the draft leaves unresolved. This model does not, however, resolve the issues identified above in relation to Introduction paragraph 47. The legislation does not define the legal nature of carbon units credited to the reserve account: it does not state who owns them for the purposes of Federal Law No. 296FZ or what claims are retained by the project implementer whose project outcomes gave rise to them. Nor does it determine the consequences of an insufficient reserve, where the actual reversal exceeds the reserved quantity even though the reserve proportion is determined ex ante by the methodology and reversal is a factual event. Russian regulation does not rely on voluntary cancellation at the request of uninvolved holders. Instead, the Rules approved by Government Resolution No. 994 dated 10 August 2026 establish a cascading replenishment mechanism. The operator first debits units issued for the project in which the reversal occurred, then units from other projects of the same implementer, and finally other units held in the reserve account. If the reserve is insufficient, the person subject to the relevant obligation must replenish it. This appears to be a sound solution, but it operates only within the reserve account. Russian regulation likewise leaves open who bears the loss if the actual reversal exceeds the aggregate balance of the reserve account. This confirms the practical importance of including in the draft a lossallocation rule for an insufficient buffer pool analogous to Principles 10(7) and 19(6). Proposed amendments to the Principles			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		We consider it appropriate to supplement the draft with the following provisions. First, state expressly the conclusion that currently follows only from Commentaries 2.9 and 2.10 together with the exhaustive nature of Principles 10(1) and 11(1): a reversal is neither a ground for revocation nor a case of overissuance and does not affect the existence of a VCC. Second, revise Introduction paragraph 47 so that buffer pools and insurance are presented as forms of a single risk-allocation mechanism, differing in the form of coverage and the class of beneficiaries, and note that a pool may potentially be characterized as mutual insurance or as a guarantee fund. Third, state that proprietary rights in the VCCs comprising the pool, and the claims of project proponents in respect of those units, are determined by the rules of the applicable programme or by other law; otherwise, it is unclear to which person Principles 15(3)- (5) and 19 apply. Fourth, provide a rule for allocating losses where the pool is insufficient, analogous to Principles 10(7) and 19(6). Fifth, describe in the Commentary to paragraph 47 the model under which the reserved proportion of VCCs is credited directly to a dedicated account at issuance, without passing through the project proponent's account. This achieves the same objective without requiring units to be debited against the owner's wishes.			
98.	Paragraphs 48-50	Overissuance and changes in scientific understanding or project methodology	International and Comparative Law	Ms Lyudmila Novoselova	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Paragraph 49 states that overissuance may result from evolving scientific views on the methodology, although a change to a CB's methodology reflecting advances in scientific knowledge would generally apply only prospectively. Commentary 11.6 gives this point fundamental importance, observing that if every methodological refinement could retroactively destroy VCCs created under earlier methodologies, the market could never reach the required scale because no rational participant would acquire an asset whose validity depended on scientific understanding remaining unchanged. The point is, however, stated descriptively in the Introduction, qualified by 'typically', and is not reflected in the operative provisions. Principle 11(1) defines overissuance by reference to a subsequent demonstration that the mitigation outcome was not achieved to the extent represented. It does not distinguish between a conclusion resulting from a measurement error and one resulting from a subsequent revision of the methodology. For the Russian legal system, this creates a specific uncertainty. From 1 September 2026, the criteria for a project to qualify as a climate project are prescribed by Order No. 361 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026, while the requirements for climate-project methodologies are prescribed by Order No. 364 of the same date. A methodology is approved as a document of the national standardization system and amended under the procedure applicable to such documents. The legal framework does not specify how amended requirements apply to previously	Research Center (ICLRC)	Science Advisor on Private Law	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		registered projects or to carbon units already issued, and neither Order contains transitional provisions. This gap cannot be filled by programme rules because both the project criteria and the methodology requirements are established by legislation. The issue is not simply one of retroactivity. Market practice addresses it differently: when a new version of a methodology is introduced, the programme requires prospective revalidation of the project and provides a transition period, while previously issued units are not recalculated. In our view, this approach is even more compelling for schemes established by States. A State that establishes the methodological framework by legislation is responsible for the predictability of the rules on which project implementers rely and, when changing those rules, should provide a transition period and a procedure for revalidation rather than imposing on the implementer the consequences of a revision made after the units were issued. The innocent-acquirer issue The draft does not determine whether VCCs are to be cancelled only while held by the initial holder or also in the hands of all subsequent holders. Under the latter approach, an acquirer's position depends on circumstances that it can neither know nor verify. Such a model is not unknown to legal systems: invalidation of a securities issue can produce comparable consequences. The difficulty lies not in that feature itself, but in the fact that the draft does not choose between two possible legal explanations or specify the consequences flowing from either. If a VCC is understood to exist subject to a condition that fails when a defect is discovered, the protection of			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		subsequent innocent acquirers must be addressed: Principle 7 does not apply to cancellation for revocation (Commentaries 10.25-10.26), while Principle 10(5) neither creates personal rights nor determines their content (Commentary 10.24). If, instead, the defect is treated as inherent in the unit from the outset, no acquirer is protected and the issue becomes one of claims arising from the provision of a defective asset. The draft, however, identifies neither the person against whom such claims would lie nor their legal basis. We also note that legal systems which permit the retrospective extinction of registry-based assets commonly mitigate the consequences for persons who relied on the asset's existence. Article 1398(4) of the Civil Code of the Russian Federation preserves licence agreements to the extent already performed, while Article 26 of Federal Law No. 39-FZ of 22 April 1996 provides for the return to holders of funds received by the issuer. The draft contains no comparable mechanism. Russian law consistently protects a good-faith acquirer against defects predating the acquisition. Under Article 302(1) of the Civil Code of the Russian Federation, property may be recovered from a good-faith purchaser for value only where it left the possession of the owner, or of the person to whom the owner entrusted possession, against that person's will. Article 149.3 of the Civil Code establishes an analogous mechanism for uncertificated securities. The common principle is that the risk of a defect of which a purchaser for			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		value neither knew nor ought to have known is not, as a general rule, borne by that purchaser. It is significant that overissuance, as defined in Principle 11(1), excludes deliberate wrongdoing: where deliberate wrongdoing is present, Principle 10(1)(a) on revocation applies instead. The paradigm case is therefore an honest error, for which there may be no culpable person at all. A model under which a VCC is cancelled in the hands of every holder, while compensation is available only where someone is at fault, would in that paradigm case leave an innocent acquirer without either the VCC or compensation. That result is inconsistent with the approach reflected in Article 302(1) and Article 149.3 of the Civil Code and would deprive VCCs of the quality of marketable property that these Principles are intended to secure. We note that the alternative approach proposed in Commentaries 11.11-11.22 for States that do not adopt the base rule in Principle 11(2) is consistent with this position. The transfer-ripening rule prevents cancellation after a transfer for value to a qualifying transferee who satisfies three conditions: the transferee is not a related party of the original allocatee, acquires the VCC at a price consistent with arm's-length dealing, and has no actual knowledge at the time of transfer of a pending cancellation proceeding. The rationale stated in Commentary 11.16 is that the original allocatee is best placed to know of, and bear the risk of, an honest-error overissuance, whereas a secondary-market acquirer requires certainty as to what it has acquired. In substance, the draft therefore already contains a solution consistent with the Russian approach. The difficulty is that it			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		is presented as an optional alternative for States that decline the base rule, and its relationship to the allocation of liability is not explained. Overissuance and the buffer pool Paragraph 50 notes that some mechanisms for addressing reversals and overissuance overlap and contemplates using a buffer pool to correct an imbalance caused by overissuance, with the project developer being required to replenish the pool. In our view, the use of a buffer pool for overissuance should distinguish between different sources of the deficiency. There is also a systemic argument against extending the mechanism more broadly. In global practice, buffer reserves are used exclusively for projects exposed to non- permanence risk — primarily nature-based removal projects — and are justified by that specific characteristic. Extending the mechanism to all projects would imply that every VCC is treated as conditionally non-permanent, including units representing reductions in emissions that have actually occurred and been verified. The only basis would be the fact that methodologies evolve with advances in knowledge and technology — a feature common to every project and unrelated to the quality of the particular mitigation outcome. The practical consequences are clear: withholding a proportion of units from every project reduces project returns and increases the cost per unit. From a legal perspective, mandatory reserving for all projects would also imply that each VCC is initially backed by less mitigation outcome than was verified, while part of the issuance remains contingent on the non-occurrence of an event for which the particular project has no relevant risk.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		A reversal is a probabilistic future event whose occurrence is, across different projects, largely independent. Pooling such risks is efficient: a participant whose project experiences the event receives coverage from the aggregate contributions of the others. Overissuance is not a risk in that sense: it is a defect that existed when the VCC was created. Where the source is a methodological error, moreover, the defect is correlated and affects the entire class of projects using that methodology. A pool formed from projects using the same methodology would therefore be least adequate precisely when it was needed, because all participants would make claims against it at the same time. A buffer pool is therefore suitable for overissuance caused by project-specific measurement errors, but not for overissuance resulting from a revision of the methodology. The draft does not draw this distinction. For the same reason, we do not support a model that would require a proportion of every VCC issued to be contributed to a buffer fund calibrated to the probability of overissuance. There are two objections. First, such a mechanism would effectively insure a participant against the consequences of its own measurement error, creating adverse incentives. Second, it would not cover correlated risk and therefore would not address the principal problem. For methodological changes, the appropriate solution is not a fund but an express rule of prospective application: the new version of the methodology should apply after it enters into force and the project has been revalidated, without recalculating units issued previously. We further consider that the premise that			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		units may be cancelled because of a methodological change should itself be reconsidered. Commentary 11.6 treats such cancellation as theoretically possible but undesirable for policy reasons; in our view, it is also substantively impermissible because the legal benchmark is the methodology applicable at the time of verification, not a later version (see our comment on Principle 11). A further reason is that methodology changes do not always reflect new scientific evidence: there are known instances in which a revision responded to specific publicized incidents and the criticism surrounding them. Giving such changes retrospective effect would make the continued existence of an already created asset capable of being the subject of proprietary rights depend on contingent policy developments. In our view, legitimizing such a practice would be unacceptable. This provides an independent reason for placing the prospective effect of methodology changes in the operative provisions rather than leaving it to market practice.			
99.	Paragraph 49	“The process of project certification and VVB verification of GHG benefits is intended to minimize the risk of wrongdoing, but it is impossible to eliminate the risk altogether (and there have been instances of fraud identified in the past).” This statement assumes that these processes are put in place mainly due to bad faith in all stakeholders involved, rather than the fact that these processes are established by scientific research and rigor. It does not reflect well on the working group to produce a document with this kind of language, recommend replacing it with:	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		"The process of project certification and VVB verification of GHG benefits is intended to minimize the risk of over-issuance, but varying levels of risk remain"			
100.	Paragraph 50 (Bracketed text)	The optional texts add clarity and understanding for readers/users	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
101.	Paragraph 51	We suggest aligning this sentence more closely with the language of Article 4 of the Paris Agreement. Parties are required to prepare, communicate and maintain successive NDCs, rather than submit NDCs "to meet the goals of the Paris Agreement.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
102.	Paragraph 51	We suggest avoiding language that implies NDCs take prescribed forms, as Parties determine the scope and design of their NDCs in accordance with the Paris Agreement. "NDCs vary greatly and may be economy-wide or sectoral, expressed in different forms (absolute caps, intensity targets, baselines, policies, etc.) with quantitative and qualitative ambition, but all are anchored to a national emissions inventory reported through the agreed transparency framework (Article 13)." Below is an edit to the sentence describing corresponding adjustment to ensure its alignment with existing decisions and that it is technically correct. Since the previous phrasing does not reference the full participating requirements to	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		engage in Article 6 and links to Article 4 and Article 13 unnecessarily: "Under Article 6 of the Paris Agreement, countries that have defined NDCs and fulfilled other participation requirements per the guidance for Article 6.2, may voluntarily engage in cooperative approaches that involve the use of Internationally Transferred Mitigation Outcomes "ITMOs", and must apply corresponding adjustments in their national emission balance (Biennial Transparency Report "BTR") in order to ensure that no double counting occurs across participating Parties and that the carbon credits are only accounted once"			
103.	Paragraphs 51-56	<u>Issue:</u> Paragraphs 51 and 52 conflate private-law acts concerning the creation, registration, acquisition, and transfer of carbon credits with international legal acts reserved to Parties under Article 6 of the Paris Agreement. The creation, registration, or transfer of a credit under private law does not, by itself, constitute host Party approval of an activity, authorization of public or private entities to participate, authorization of the credit for use towards a nationally determined contribution or another international mitigation purpose, or a "first transfer." Failure to distinguish these acts could give international legal effects to a private transaction without an express decision by the competent State. <u>Recommendation:</u> Clarify that the Principles govern only the private-law and proprietary effects of verified carbon credits.. Approval, authorization, the determination of a "first transfer," and any	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		other legal effect arising under Article 6 should remain governed exclusively by the Paris Agreement, decisions 2/CMA.3 and 3/CMA.3, subsequent CMA decisions, and the express acts of the competent Parties.. Such effects should not arise merely from the creation, registration, acquisition, or transfer of a credit under private law.			
104.	Paragraphs 51–56 (Corresponding adjustments)	Correct paragraph 52: corresponding adjustments produce an adjusted emissions balance for NDC accounting; they do not rewrite the national inventory of physical emissions and removals. Distinguish acquiring Parties’ NDC accounting from corporate or sectoral uses. Decision 2/CMA.3, annex, paragraphs 7–8 and 16, supplies the relevant framework [R1²⁸]. Replace a single “correspondingly adjusted” label with separate fields for authorisation, authorised use, first-transfer trigger and occurrence, and evidence of the adjustment reported by the host Party. Authorisation is not proof that an adjustment has already been applied. Record subsequent changes and relevant reporting inconsistencies. Clarify that a corresponding adjustment addresses an accounting risk; it does not establish additionality, accurate baselines, durability or social integrity. Conversely, the absence of an adjustment does not automatically preclude a transparently framed contribution claim where the applicable rules permit it.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

²⁸ UNFCCC decisions 2/CMA.3, annex, paragraphs 7–8 and 16, and 3/CMA.3, annex, paragraphs 33–38. Article 6 accounting and methodology requirements.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
105.	Paragraphs 51–52, 56, 71	The Introduction gives the concept of corresponding adjustment considerable attention — explaining, for example, that a country participating in Article 6.2 or 6.4 cooperative approaches ‘must undertake corresponding adjustments in their GHG accounting’ (para. 51), and that where a VCC carries a corresponding adjustment, ‘a label indicating this is generally tagged or otherwise embedded in the unique identifier of that VCC’ (para. 56) — while also stating that the Principles ‘do not cover rules that are to be enforced by public authorities which in many jurisdictions would be called regulation or regulatory law’ (para. 71). I respectfully submit that these two positions sit in tension for VCCs specifically: the Introduction recognises that corresponding-adjustment status is central to how the market actually treats a VCC, yet the regulatory-law exclusion is then carried through into the black-letter Principles (see my comments on Principle 1 and Principle 2(1) below) without qualification. I recommend that the Introduction acknowledge this tension directly, and note that its resolution — not the elimination of the private/public law boundary, but an acknowledgement of where the two interact — is addressed in the specific comments below.	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore
106.	Paragraph 52	May clarify concept of Double counting Vs Dual Accounting including their respective implications for the accounting.	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
107.	Paragraph 52	Corresponding adjustments occurs in the Biennial Transparency Report “BTR” per paragraph 8 in the annex of decision 2/CMA.3 under the Paris Agreement. So, paragraph 52 in the document is factually incorrect to state “A corresponding adjustment is a bookkeeping correction to a country’s GHG emissions inventory as reported <u>in each and all of its initial report, annual report,</u> and biennial transparency report required under the Paris Agreement” especially considering that the GHG emissions inventory is only reported as part of the BTR, but not in the initial report or annual information. Please remove the reference to “in each and all of its initial report, annual information...”, and only keep the BTR.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
108.	Paragraph 53	This paragraph is omitting elements from the first transfer definition in paragraph 2 in the annex of decision 2/CMA.3 in both point (i) and (ii), please remain true and consistent with the decisions. The parts in blue are the omitted elements for inclusion: (i) The mitigation outcomes authorized for use towards NDC or for the first international transfer of the mitigation outcome (ii) The mitigation outcome authorized for OIMP, either the authorization, the issuance, the use or cancellation of the mitigation outcome	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
109.	Paragraph 55	We understand what this paragraph is trying to say, however it needs to be streamlined. There are many repetitive elements making it unclear.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
110.	Paragraphs 57-62	Paragraphs 57-62 suggest that creation of VCCs may occur even where domestic frameworks are undeveloped. In Colombia, climate governance, RENARE registration and sectoral environmental rules create regulatory conditions that should be expressly acknowledged.	Government of Colombia	Álvaro Revelo Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
111.	Paragraph 57 (Bracketed text)	The paragraph is somewhat confusing. Better treat compliance with legal laws and the existence of bespoke legal frameworks on VVCs separately. More importantly, the lack of a developed legal framework may not be the issue, and it is important to keep this in mind as a relevant design feature for the VCM: which facilitated, first and foremost, carbon asset generation in the absence of dedicated legal frameworks. In fact, legal challenges arise precisely because countries are building legal frameworks (often as a result of A6). Anyway, this is a big theme in itself, and the suggestion is to remove the para unless more contextualization is provided.	Government of Germany		Germany
112.	Paragraph 57 (Principles 4, 5, and 13)	<u>Issue:</u> Paragraph 57 assumes that credit creation may not be unlawful where a State lacks a developed legal framework and treats cooperation with government authorities as a best practice. The absence of specific carbon legislation does not necessarily create a private entitlement to the mitigation outcome or to remove its economic value from the State. The outcome may be subject to rules on land, forests,	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		natural resources, public property, licensing, or benefit sharing. This does not mean that every mitigation outcome is State-owned. It means that entitlement should remain governed by the applicable law of the host State. <u>Recommendation:</u> Provide that registration does not create a valid right where the registrant lacks entitlement under host State law to the mitigation outcome or its economic benefits, or where required approvals have not been obtained. The choice of registry law should not prejudice the host State's authority to regulate land, natural resources, public property, and projects within its territory.			
113.	Paragraph 57	The Introduction records the concern that, where a project is carried out in a State whose legal framework for the creation of VCCs is undeveloped, 'the benefit of such projects in the form of VCCs that hold an economic value could be removed from the country before such legal infrastructure is defined', and responds by recommending transparency and cooperation with the relevant government departments as best practice. A recommendation of best practice in an Introduction is not a rule. It is not implemented when a State enacts the Principles, and it is not applied by a court. If the Working Group considers the concern real enough to record — and the respondent submits that it is — the instrument should address it in its operative provisions or their commentary. The narrow textual bridge proposed in Comment 4, or its alternative placement under Comment 7, would address that private-law question; Comments 8 to 11 would then align	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the commentary with the adopted text. Neither textual route regulates project-level conduct or creates a new, general legality condition. Both preserve Commentary 2.9's creation-time snapshot and leave subsequent regulation and remedies to other law.			
114.	Paragraphs 58-62 (Bracketed text)	Suggestion to remove the discussion of tokenization – probably better placed under the DAPL Principles. If there is an intention to discuss proprietary law aspects for tokenized VCCs, we suggest treating this as a technical matter only, without making a policy argument in favour of tokens. If you do decide to keep that policy discussion, it would be helpful to discuss the risks (not least for double counting).	Government of Germany		Germany
115.	Paragraphs 58-62 (Bracketed text)	While the paragraph seems to make a case for tokenization (the topic is contentious, to be sure, not least given the relevance of centralized registries to prevent double counting), it would be important, in our view, to focus on the technical / PIL aspects (how and what) and to check whether the VCC instrument is the appropriate venue to include principles on tokenization. We have our doubts at this stage.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
116.	Paragraph 58-62	We highly advise against the inclusion of tokenization as an established feature in carbon markets, when it lacks support in key market areas, has many limitations and concerns.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
117.	Paragraphs 58-62	Relationship between a token and the VCC registry record Paragraph 58 distinguishes two models: native tokens created directly on a blockchain and tokenized VCCs that mirror an existing registry-based unit. The second model is more significant in practice because it does not require	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		existing registry infrastructure to be redesigned or a new public blockchain to be created. Paragraph 62 states that issuing a tokenized VCC does not automatically confer legal rights to the corresponding original VCC, while dealings in the original VCC do not automatically feed data to the tokenized VCC. It therefore points to the need for express terms and conditions recognizing the intended link. The problem is thus identified but not resolved. The draft does not determine what constitutes the VCC for the purposes of Principle 2(1) — the registry record or the token; what consequences follow if they diverge; or how, in those circumstances, Principle 5(1), which links creation of a VCC to the record that it has been credited to an account in the registry, and Principle 7(4)(b), which makes the acquirer's protection conditional on the VCC being credited to the acquirer's account by the registry operator, are to apply. For the Russian legal system, this uncertainty has a concrete form. Under Article 10(1) of Federal Law No. 296-FZ of 2 July 2021, carbon units and transactions involving their transfer and retirement are recorded in the carbon unit registry, and units are treated as coming into existence when credited to an account. A token issued outside that registry would have no independent legal significance and would create a second recordkeeping layer whose relationship with the registry-based right is undefined. Relationship with the UNIDROIT Principles on Digital Assets and Private Law			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The Digital Assets Principles are built around the concept of control of an electronic record, which performs a function analogous to possession of tangible assets. The present draft is built around registration: crediting a VCC to an account is what makes it individuated, controllable, and rivalrous (Commentary 3.2); creation of the VCC is linked to the record that it has been credited to an account (Principle 5(1)); crediting the VCC to the acquirer's account is a condition for innocent acquisition (Principle 7(4)(b)); and crediting the VCC to the secured creditor's account makes the security right effective against third parties (Principle 21(a)). The use of different organizing concepts does not in itself create a conflict while the two instruments have separate fields of application. Tokenization is precisely where those fields overlap. The most significant divergence concerns the conflict-of-laws rules and is expressly identified in Commentary 4.24: Principle 4(3) limits the choice of law to four connecting factors, whereas Principle 5 of the Digital Assets Principles permits the choice of any law. As applied to a single asset, the two instruments may therefore produce different results. This is a substantive divergence and may cause the registry-based and tokenized layers of the same asset to be governed by different legal systems. That makes it all the more important to determine what the VCC is when tokenized. Divergences will also arise in the innocent-acquisition regime, which in the present draft is built around crediting to an account and the transferor's status as registered holder, and in the methods for achieving third-party effectiveness of a security right, which depend on the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		registry record and on an agreement with the registry operator or custodian. There is also an important point of convergence. Principle 4(8), under which proprietary rights in VCCs maintained by a custodian are governed by the law governing the custody agreement, adopts the same solution as Principle 5(3) of the Digital Assets Principles, as Commentary 4.48 expressly notes. The wording of Principle 4(8) nevertheless requires clarification: as discussed below, it is broad enough to extend to matters that Principle 4(1)(a) and (b) assigns to the law of the registry. Application to national legal systems Paragraphs 58-62 proceed on the assumption that tokenization is generally available as a means of representing an asset and is subject only to technical and organizational constraints. That is not the case in all legal systems. In the Russian Federation, Article 141.1 of the Civil Code recognizes as 'digital rights' only those rights that legislation expressly designates as such. Consequently, carbon units cannot be tokenized in Russia without legislative amendment — not merely to the rules governing dealings in the units, but to permit this type of asset to take digital form at all. A Tokenization annexe based on freedom as to form would therefore not operate in legal systems of this kind.			
118.	Paragraphs 58-62 (Tokenisation and blockchain)	The draft Principles recognise tokenisation as a potential mechanism for converting VCCs into blockchain-based digital representations. They identify potential benefits including	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge</i>	Dr Sami Al Suwailam, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		transparency, fractionalisation, liquidity and automated settlement. This is generally compatible with the Islamic Finance perspective because the technology itself is not the source of Shariah permissibility or impermissibility. What matters is the nature of the underlying right and how it is transacted. Blockchain may actually strengthen Shariah compliance by improving: • traceability; • ownership records; • prevention of double counting; • transparency; • settlement; and • auditability. However, tokenisation must not be used to transform a permissible VCC into a speculative instrument nor the creation of new VCCs by the blockchain itself (mining). UNIDROIT itself cautions that tokenisation does not automatically confer legal rights to the underlying VCC and requires clear connections between blockchain systems and traditional registries. From a practical point of view, the tokenization will render harder to control who owns the tokenized VCC and to verify whether the owner(s) could use them for their intended use.	<i>contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>		
119.	Paragraphs 58 to 62	The paragraphs on tokenisation appear in square brackets in their entirety, subject to the Working Group's consideration	PROMETEO LegalCripto Research	University of Alicante and Emerging Project OADCV	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Offer of material for the Tokenisation annexe)	and development of a Tokenisation annexe. The Project offers its experience as material for that annexe. The distinction drawn in paragraph 62, namely that issuing a tokenised VCC does not automatically confer legal rights to the relevant original VCC, and that dealing with the original VCC does not automatically feed data to the tokenised VCC, corresponds precisely to the central finding of our proof of concept on a tokenised negotiable instrument: the technical quality of the record does not cure a defect in the link with the underlying asset, and immutability is a property of the entry and not of the right recorded. An invalid act recorded on a ledger is not cured; it is perpetuated. We suggest that the annexe should address expressly the relationship with Principle 4 of the DAPL, on linked assets, which is the natural locus for this point. That Principle establishes that the digital asset does not contain the underlying right but maintains a link with it whose existence, requirements and effects depend on the applicable law. Its stance is deliberately neutral, since Principles law takes no position as to whether the link is sufficiently established or what its legal effect may be, those matters being left to the other law of the State. A record may accordingly be complete and unique and nonetheless be badly linked to a right that does not exist, has been extinguished, or belongs to another person. There is a further reason, and in the Group's view a decisive one, why the annexe should take up this point. The Joint HCCH-Unidroit Project on the Law Applicable to Cross-Border Holdings and Transfers of Digital Assets and Tokens concluded that linked assets were the main area of work,	Project (CIPROM/2022/26)	(CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		with consensus on the desirability of conducting work on them, precisely because they were neither defined nor considered in Principles 4 and 5 of the DAPL, and identified the need to work on appropriate connecting factors to determine the law applicable to whether a valid link exists between the digital asset and the asset to which it purports to be linked, and to the legal nature of that link. The suggestion made here is therefore not a doctrinal preference, but the continuation of a conclusion already reached within the Institute itself. A comparable question has been addressed elsewhere. Principles 3(4) and 4(4) of the ELI Principles on the Use of Digital Assets as Security determine whether, and on what conditions, a security interest created in the token or made effective against third parties in respect of it, also reaches the underlying real-world asset, by pointing to the ordinary conflict of laws rules governing the proprietary aspects of that asset, such as the <i>lex rei sitae</i> or the <i>lex registrationis</i>. That technique may assist the Working Group, and the Group refers to the same instrument in Comment 5 below.			
120.	Paragraph 63 (Summary)	Meaning of cited sentence unclear, especially for the part after the second comma: "To facilitate the scaling of the market in VCCs, and consequently provide financing to these projects, it is necessary to ensure the issues relating to private law are clear."	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
121.	Paragraph 63	We suggest avoiding language that presents finance as the sole or primary purpose of VCCs. While VCCs can support	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		financing for GHG mitigation activities, they also serve broader functions within carbon markets and climate action.			
122.	Paragraphs 64-71 (Relationship to domestic law)	The Draft would benefit from expressly acknowledging that the recognition of proprietary rights in VCCs does not limit the sovereign authority of States to regulate the generation, authorization, accounting, eligibility, use, transfer, and reporting of mitigation outcomes generated within their territory. Given the increasing interaction between carbon markets, carbon pricing instruments and national climate commitments, the Principles should clarify that private-law proprietary characterisation neither creates vested rights against future regulatory measures nor restricts the ability of States to adopt measures necessary to protect environmental integrity, fulfil NDCs, regulate international transfers, or safeguard public interests. Such clarification would enhance legal certainty and reduce potential tensions between private rights and climate governance frameworks.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
123.	Paragraph 64	States should retain flexibility to develop domestic legal frameworks that reflect their own legal systems, policy objectives and market arrangements.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
124.	Paragraph 65 (Bracketed text)	Suggestion to remove bracketed text (speculation).	Government of Germany		Germany
125.	Paragraph 66	We suggest clarifying that whether a VCC may be the subject of proprietary rights should remain a matter for domestic law, as jurisdictions may adopt different legal approaches.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
126.	Paragraph 67	While we agree with UNIDROIT's objective to present a set of narrow and actionable Principles that Crediting Bodies'	Sustainable Development		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		(hereafter, “CBs”) can integrate into domestic law—or internal covenants in the case of the CBs operating in the voluntary market—we find the focus of the Principles too narrow to respond to the multitude of governance and integrity challenges facing both compliance and voluntary markets. Even in countries with relatively robust laws and regulations governing carbon markets, there remains a worrying lack of clarity on the question of which legal persons/entities are the legitimate holders of property rights to VCCs, especially those derived from nature-based projects. For instance, Kenya has one of the most comprehensive legal frameworks governing the creation and transfer of VCCs in the world, but a lack of clarity regarding the legal nature of VCCs remains. In particular, there is confusion as to who the legitimate owners are – under the Community Lands Act of 2016, the equivalence between private freehold land and community land would indicate that VCCs, as a product of the underlying land asset, should be held by the communities whose lands are used to produce the VCC, in line with Kenya’s 2010 Constitution²⁹. In contrast, while Kenya’s 2024 Climate Change (Carbon Markets) Regulations do not say much directly on ownership, they stipulate that carbon projects must, among other things, “indicate the ownership of the property involved in the project and where the property is owned by a third party, provide agreements demonstrating the property owner's consent for use of the property in the carbon project”³⁰. While this is an important	Strategies Group (SDSG)		

²⁹ Government of Kenya, Community Land Act, 2016, Section 5(3); Government of Kenya, The Constitution of Kenya, 2010, Section 40.

³⁰ Government of Kenya, The Climate Change (Carbon Markets) Regulations, 2024, Section 16(g).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		safeguard, the tacit assumption that the owner of the GHG mitigation project will, by default, own the VCC is the target of this safeguard: communities are often not the owner of the GHG mitigation project and therefore ownership of the project and its resulting VCCs is predicated on agreements for use of the underlying land asset. Moreover, the application of the Community Development Agreement (CDA) framework—a framework for resources considered a public good in Kenya and that incurs close involvement by the central government in decision-making—to GHG mitigation projects indicates that the Kenyan State has characterized VCCs as public goods. This has led to confusion over the nature of VCCs as potentially private proprietary rights of communities or public goods controlled by the state in Kenya³¹. In short, the underlying proprietary right to VCCs during their creation (and bearing on their subsequent transfer) are far from settled, even under robust regulatory frameworks. These issues are even more pronounced in jurisdictions such as the Democratic Republic of the Congo (DRC) where land conflicts are frequent, communities often lack secure tenure, and carbon regulations remain fragmented. At the very least, GHG mitigation projects must comply with the DRC's Land Law, Forest Code, and FPIC Guidelines to legally operate and generate VCCs. There are multiple large-scale projects that			

³¹ David James Arach, Kenya's Climate Laws Leave Communities Behind: Missing Rights in the Carbon Market, Namati, May 14, 2025. <https://namati.org/news-stories/kenyas-climate-laws-leave-communities-behind-missing-rights-in-the-carbon-market/>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		are well documented violating these laws and still selling VCCs³². Sidestepping this fundamental issue by relegating it to "Other law" runs counter to the Principles' stated objective to "facilitate [...] voluntary carbon markets [...] that [...] will grow efficiently, both because of the design of the rules and because of the benefits of harmonization of private law in this area." (Paragraph 64). The lack of clarity regarding which legal persons/entities are the legitimate holders of property rights to VCCs is thus of serious concern to the goals of these Principles.			
127.	Paragraph 68 (Concerns text in square brackets, on which the consultation expressly invites comment)	Paragraph 68 states, in square brackets, that although some VCCs may be issued as controllable electronic records, such as tokens issued on a blockchain or DLT, they cannot all be characterised as 'digital assets' within the definition in Principle 2 of the Unidroit Principles on Digital Assets and Private Law. We respectfully suggest that this statement requires refinement. The definition in Principle 2 of the DAPL does not rest on the technology employed. A digital asset is defined as an electronic record which is capable of being subject to control. The criterion is susceptibility to control, not the architecture of the record.	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

³² Vittoria Moretti, The Great Green Rush: The Exponential Rise and Social Impacts of Forest Carbon Offset Projects in the DRC, Rainforest Foundation UK, October 2025, pgs. 29-36. <https://www.rainforestfoundationuk.org/wp-content/uploads/2025/10/JA-605-The-Great-Green-Rush-FINAL.pdf>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		That reading is the one adopted in the commentary on Principle 2 published by this Project, which records the conclusion of the drafting team in the following terms: <i>"The project team also concluded that the use of cryptographic or blockchain technology should also not be the determining condition for digital assets. Thus, these Principles are intended to apply to all digital assets (as defined in Principle 2(2)), whether the record of these assets is on a blockchain."</i> The point is reinforced from two further directions. First, the commentary on Principle 6 formulates the criterion as a conceptual inversion: it is not that a digital asset can be subject to control, but that if control cannot be exercised the record is not a regulated digital asset. The test is therefore functional throughout. Second, and of particular relevance to a registry-based asset, the study on the definition and holdership of digital assets recalls that the rules on control were originally drafted for centralised platforms operating in closed digital environments and structured either as a title registry or as an e-vault, and that it was precisely on that architecture that the identification of the single authoritative record and of the person in control was first built. A centralised registry is not an exception to control: it is the setting in which the notion was developed. Commentary 3.2 of the present draft states that a VCC can be controlled, in that it is registered by being credited to an account of a specified registry accountholder, and that the registered holder is the only person who can instruct the registry to transfer or retire that VCC. That description corresponds closely to the configuration of control in			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Principle 6 of the DAPL, which articulates control through the ability to exclude others from substantially all the benefit of the asset, to obtain that benefit, and to transfer those abilities to another person. We therefore suggest that paragraph 68 should distinguish two questions which the present formulation tends to merge. The first is whether a registry-based VCC satisfies the definition of a digital asset, which in our view it does, irrespective of whether the registry is distributed. The second is whether it is desirable to subject it to the regime of the DAPL, which is a question of legislative policy rather than of characterisation. Merging the two questions risks producing an unnecessary conceptual fragmentation between two instruments of the same Institute which share a common apparatus and may complicate their joint reception by national legislatures. Where a State has implemented, or is considering implementing, the DAPL, it will need to know whether VCCs fall inside or outside that framework, and on what basis.			
128.	Paragraphs 70-71 (Jurisdiction and organisational neutrality)	Paragraphs 70-71 state that the Principles are jurisdiction-neutral and organisation-neutral and take no position as to where in a State's law their rules should be located. We respectfully suggest that this neutrality be qualified by an express acknowledgement of legal systems operating a numerus clausus of rights in rem, in which the recognition of a new object of proprietary rights is not amenable to judicial development and requires legislative amendment, frequently of the Civil Code itself or even through a special law.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		This point was raised in the HCCH Experts' Group on Carbon Markets at its first meeting (13-15 May 2025) by the delegation of Chile, which observed that the difficulty in such systems is not one of legal interpretation but of legislative feasibility ³³ . The observation holds for the majority of Latin American systems that follow the Andrés Bello tradition. A short paragraph identifying the legislative technique that such States would need to employ would materially increase the usability of the instrument.			
129.	Paragraph 72 (Transition and review)	Retain and expand the transition guidance. Distinguish protection of completed transactions from continued permission to trade or use legacy credits as environmentally valid. Existing units should receive accurate classification and status information within a specified implementation period. Legacy status should not exempt a unit from action where its mitigation outcome is subsequently shown to be deficient. Provide advance notice of new methodological requirements, proportionate implementation periods and periodic review against scientific developments. Distinguish prospective methodological improvement from evidence that past quantities were materially overstated: only the latter necessarily calls for correction of past issuance. Do not retrospectively impose liability merely because a participant followed an earlier method; equally, do not permit reliance on a disproven climate benefit. Explain these separate consequences expressly.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

³³ Hague Conference on Private International Law (HCCH), Permanent Bureau, *Grupo de Expertos sobre Mercados de Carbono: Informes de la primera, segunda y tercera reunión*, Doc. Prel. N.º 4 (enero de 2026), Anexo I, "Report of the First Meeting of the Experts' Group on Carbon Markets (13-15 May 2025)," paras. 62–66.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
C. Section I: Scope and Definitions (Principles 1-3)					
130.	General	Pakistan supports the description of the lifecycle of VCCs and the distinction between creation, transfer, retirement, reversal, and overissuance. However, the commentary should emphasise that the legal consequences arising from these stages remain subject to domestic legislation governing environmental protection, natural resources, taxation, securities regulation, insolvency, anti-money laundering, and contractual obligations.	Government of Pakistan	Ministry of Law and Justice	Pakistan
131.	Broad Application of Proprietary Rights	Whether proprietary status is being conferred too broadly. This raises a deeper issue than whether a VCC can be property. The more precise question is whether the draft, in recognising a VCC as capable of being the subject of proprietary rights, sufficiently distinguishes the VCC as an intangible legal asset from the environmental fact that it represents, the underlying mitigation project, and the contractual or public-law rights and obligations that may surround it. This distinction is particularly important because the draft itself says that a VCC represents the verified fact that a mitigation outcome has occurred, while simultaneously treating the VCC as a new, individuated intangible asset capable of proprietary rights. Primary Concerns. The issue here is not that Principle 3 confers ownership too broadly in the sense that every holder automatically becomes an owner of every legal entitlement associated with the credit. In fact, the draft takes several steps to prevent this. The actual question here is whether the conceptual separation between the proprietary VCC and	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurbur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the underlying environmental outcome is sufficiently explicit to prevent courts, registries, market participants and different national legal systems from treating proprietary rights in the VCC as rights in the underlying mitigation outcome or in the legal benefits associated with that outcome.			
132.	Principles 1–3 (Scope, legal characterization and application to regulated carbon units)	The Principles should consistently distinguish three separate legal layers: (i) the underlying mitigation outcome; (ii) the unit or certificate representing that outcome and any proprietary rights attached to it; and (iii) the regulatory and accounting status attributed to that unit under domestic law, an international mechanism or Article 6 of the Paris Agreement. A change in one of these layers should not be presumed to automatically determine or modify the others. In particular, the Principles should clarify that their application to units subject to an international or domestic regulatory framework cannot alter their eligibility, authorization, accounting treatment or permissible use under that framework. The Study may also wish to consider whether carbon units have characteristics that justify a sui generis legal characterization , rather than assuming that they necessarily correspond to existing categories such as commodities, securities, financial assets or other intangible property.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
133.	Principle 1	Instead of “the private law relating to [VCCs]”, consider “private law aspects relating to [VCCs].	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
134.	Principle 1	It would seem important to clarify, under this Principle (whether in the black letter or in the commentary or both), whether the instrument is limited to credits issued under voluntary standards and/or to what extent it applies to standards and credits issued by state actors or under hybrid schemes.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
135.	Principle 1	Principle 1 continues to state that “[t]hese Principles address the private law relating to VCCs.” The commentary is clear that they address only “a specific subset of private law issues related to VCCs, while intentionally leaving many others out of their scope.” We note that Principle 3(4) sets out a lengthy, non-exhaustive list of proprietary and contractual issues left to “other law.” We would still suggest amending the operative text of Principle 1 to make clear that this is a partial, not comprehensive, private law framework. For example, the text could emphasize that the Principles address “certain issues of the private law related to VCCs.”	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
136.	Principles 1, 3(3), and 4(13)	<u>Issue:</u> Principle 3(3) provides that “Principles law” takes precedence over “other law” to the extent of any conflict. Although Principle 1 and paragraphs 66 and 71 of the Introduction limit the Principles to matters of private law, particularly proprietary rights relating to verified carbon credits, “other law” is broadly defined as any part of a State’s law that is not Principles law, including legislation, administrative rules, and judicially determined law. This may create uncertainty as to whether the priority established by Principle 3(3) is confined to conflicting rules of private law or	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		could extend to national rules falling outside the intended scope of the Principles. In addition, Principle 4(13) preserves obligations arising under the United Nations Framework Convention on Climate Change, the Paris Agreement, and related instruments and outcomes, but limits that safeguard to the application of Principle 4. The Draft does not contain a general saving clause applicable to all the Principles that preserves other rules of international law, including rules on international responsibility, peremptory norms, the immunities of States and their property, and the privileges and immunities of international organisations. The references to public policy and overriding mandatory rules in Principles 4(10) and 4(11) are also confined to the conflict-of-laws framework. <u>Recommendation:</u> Clarify that the priority established by Principle 3(3) operates only where a direct conflict arises within the substantive private-law matters governed by the Principles. It should not extend to constitutional, administrative, environmental, regulatory, tax, or criminal law, or to national overriding mandatory rules. A general saving clause applicable to all the Principles should also be added, along the following lines: “Nothing in these Principles shall affect the rights, obligations, privileges, or immunities of States or international organisations under applicable international law, including the rules on international responsibility, the immunity of States and their property from jurisdiction and measures of constraint, and the privileges and immunities of			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		international organisations. These Principles shall be interpreted and applied consistently with applicable international obligations and peremptory norms of general international law, and without prejudice to constitutional, regulatory, or other national overriding mandatory rules.”			
137.	Principle 1 (These principles address the private law relating to verified carbon credits)	The principle mentions in its commentary the scope of application on “proprietary rights” on VCC, leaving out other aspects such as intellectual property. It could be recommendable to include some specific aspects relating to intellectual property due to the deep connection between assets and the properties of these assets (whether tangible or intangible). Moreover, intellectual property can be at stake in the creation of VCCs.	American Association of Private International Law (ASADIP)		Americas
138.	Principle 1 and Principle 3(3)–(4) (Non-derogation)	Amend the unqualified priority rule in Principle 3(3). Its breadth could undermine the draft’s own assurances that consumer protection, environmental regulation and other excluded matters remain unaffected. The carve-outs should appear in operative text, not only commentary. Suggested replacement: “Principles law prevails over inconsistent other private law only in respect of matters expressly governed by these Principles. Nothing in these Principles displaces applicable overriding mandatory rules, environmental and human rights protections, consumer protection, or requirements governing the integrity, authorisation, accounting or permissible use of credits.” Extend the compatibility safeguard in Principle 4(13) across the instrument, preserving applicable international obligations without suggesting that the Principles directly impose treaty obligations on private parties. A foreign	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		proprietary-law classification must not itself validate a project or confer permission to claim a climate benefit.			
139.	Principle 1, Commentary 1.3	Commentary 1.3 states that, 'with the exception of Principle 4, the Principles are to be read as guidelines for the law of a single State, and do not include any conflict of laws rules'. Although framed descriptively and qualified by 'in many cases', Commentary 13.1 identifies host-State law as ordinarily relevant to project legality; it does not establish an operative, universal choice-of-law rule. Whatever its non-operative status, that observation confirms that the instrument already treats host-State law as capable of bearing on a question relevant to a VCC. The bridge proposed in Comments 4 and 7 is therefore not alien to the instrument's logic. It gives express and narrowly confined effect to that relevance for a single constitutive question, while leaving downstream proprietary matters to the law designated by Principle 4, a relationship that the commentary could usefully make explicit.	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye
140.	Principle 1, Commentary 1.1; cf. Introduction, para. 71	Principle 1 provides that 'these Principles address the private law relating to verified carbon credits,' and Commentary 1.1 explains that they 'do not cover rules that are to be enforced by public authorities.' I submit that this exclusion, while an appropriate discipline on the Working Group's drafting task, should not be read — and the commentary should say expressly that it is not to be read — as a determination that host-country use-authorization is immaterial to the proprietary right the Principles describe. I recommend that the commentary to Principle 1 add a paragraph acknowledging that, for VCCs specifically, a public-law	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		authorization layer commonly determines the realisable content of the proprietary right; that this layer is analogous to land-use zoning in its relationship to title; and that its exclusion from the Principles' scope is a limitation on their completeness rather than a conclusion that the layer is legally insignificant.			
141.	Principle 2 (General)	When talking about mitigation, Principle 2 should take note that reduction and mitigation are not concordant terms. Reduction means reducing or stopping emissions of GHG. On the other hand, mitigation implies not reduction by itself but actions encouraging projects to help to decrease degrees of atmospheric temperature such as planting forests programmes. (21) 'Principles law' means any part of a State's law which implements or is consistent with these Principles. Kindly note that this point may not be clear. In a continental system (civil law) principles law are not equal to State's law (legislation). Because the process of production of both principles and legislation are quite different. The Principles apply to compound VCCs in the same way as they apply to one VCC. It is not strictly necessary for one VCC to represent the verified fact that a mitigation outcome equivalent to one tonne of CO₂ (as opposed to any other specific quantity) has been achieved in order for that VCC to be capable of being the subject of proprietary rights under Principle 3(1). This is somewhat contradictory. To create a VCC it must be verified that the reduction or mitigation result has been reached because it requires a previous verification undertaking. Also it is a contradiction with comment on VCC 2.3 (pag23) when it states, "However, the VCC itself	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		represents the verified fact that, as a result of these events having taken place, a mitigation outcome (as defined in Principle 2(2)) equivalent to one tonne of CO₂ has occurred”. In paragraph 2.8 (pag.23) it could be practical to make a difference –again- between reduction and mitigation. The first reference to reduction is in accordance with practice; the second should be mitigation as a term used therein. Paragraph 2.9 reads: “However, the VCC does not represent the mitigation outcome itself, nor its continuing existence. Once it is created, the VCC represents the factual position as at the moment of creation, and subsequent factual changes in relation to the existence of the mitigation outcome do not affect the existence of the VCC, although they could affect its value and its potential use (see Commentary 2.10)”. The latter could mean a real contradiction with the spirit of the draft, because the conditions required constituting a VCC should be met, but then the criteria is abandoned. It is comprehensible that a VCC as an intangible asset keeps its value after its creation; the logic implies it must keep the same value throughout its life cycle. The logic process herein is to voluntarily cancel the VCC. Of course the problem is that if the value of the VCC decreases it becomes less attractive for buyers. “2.38 Under Principle 1, these Principles cover private law issues relating to VCCs. They include various rules such as the rule that a VCC can be the subject of proprietary rights, and rules concerning transfer and custody of, and the taking of security in, VCCs. ‘Principles law’ as defined by Principle 2(21). This refers to all the rules in the Principles once they have become part of a State’s law, whether by express			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		implementation, or because that State's law is already consistent with them. Within the law of a State, all law that is not 'Principles law' as defined here is referred to in these Principles as 'other law' (see Principle 2(22)). 'Principles law' and 'other law' as defined here together form 'the law'. Other law includes administrative rules and judicially determined law, as well as legislation". It may be prudent to clarify all these terms such as "principles law", "state's law", "other law", "rules" and set a hierarchy if possible. The Draft should clarify their applicability in common law or civil law systems.			
142.	Principle 2 (General)	Principle 2 is one of the most important provisions of the Principles, as it establishes the legal concept of a VCC. In this respect, two structural issues should be considered. First: voluntary carbon markets are inherently cross-border, therefore Carbon Credits and the rights associated with them are subject to different legal classifications across jurisdictions. A carbon credit may be treated under domestic law as, for example, a form of intangible property (UK jurisdiction), an environmental instrument (Abu Dhabi Global Market), a civil fruit (<i>Brazilian jurisdiction</i>), or another legally recognised asset. Second: The mitigation project underlying the credit may remain subject to domestic rules concerning environmental resources, land, forests, climate policy and national sovereignty. The mitigation project, the environmental outcome and economic benefit associated with that, are	Milena Colombo	MSc candidate, Trinity College Dublin	Brazil

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		therefore closely connected to the sovereign jurisdiction in which the underlying activity takes place. This creates a challenge for harmonisation. The legal characterisation of the environmental outcome cannot necessarily be detached from the domestic legal order and the sovereign authority of the jurisdiction in which the mitigation activity occurs. Consequently, this limitation on sovereignty should be expressly considered when attempting to develop a harmonised private-law framework. In this context, this challenge may not be capable of being resolved through terminology alone. Rather than seeking to establish a single uniform legal characterisation of the VCC, or attempting to resolve, through terminology, the inconsistencies and mistakes that have been perpetuated through market practice, the Working Group could consider a different approach: examining the legal and functional limits of registries themselves. In particular, it may be worth considering whether the functions of verification, methodology, issuance and initial registration, which are closely connected to the underlying mitigation activity and therefore to the relevant domestic legal framework, should be distinguished from a Second layer of registration, operating on an international or cross-border basis and focused on <u>publicity</u> and <u>third-party enforceability</u>. Within this second layer, subsequent transfers and secondary trading of VCCs could take place, while also allowing for the recognition and registration of security interests over the VCC.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Such a functional separation could better reflect the distinction between the underlying mitigation activity , <u>which remains connected to the domestic legal system</u> , and the VCC as a tradable legal instrument , which may circulate across jurisdictions without losing its value or credibility. It could therefore provide clearer rights and facilitate transferability and liquidity of the VCC, creating a solid basis for achieving legal certainty in cross-border transactions.			
143.	Principle 2 (Proposed minimum quality provision)	Insert an operative quality requirement: “A carbon crediting programme shall require credited outcomes to be additional, conservatively quantified, independently verified, uniquely accounted for and subject to effective safeguards and correction. Each credit’s conformity and any subsequent deficiency shall be documented.” Specify: additionality assessed against credible alternatives and applicable legal requirements; conservative, periodically reviewed baselines; deduction of lifecycle emissions and leakage; explicit uncertainty treatment; prevention of double issuance, use and claiming; monitoring proportionate to storage duration; enforceable reversal and overissuance remedies; and environmental and social safeguards with accessible redress. Unsupported quantities should not be credited. Additional co-benefits cannot compensate for failure of these requirements. Article 6.4 already requires conservative, ambition-oriented methodologies and robust additionality under decision 3/CMA.3, annex, paragraphs 33–38 [R1]³⁴. Use the ICVCM	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

³⁴

UNFCCC decisions 2/CMA.3, annex, paragraphs 7–8 and 16, and 3/CMA.3, annex, paragraphs 33–38. Article 6 accounting and methodology requirements.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Core Carbon Principles as a relevant benchmark, without equating programme membership with unit-level quality or automatically incorporating future private standards [R2] ³⁵ . Adopt a transparent equivalence and review process. Place technical detail in an accompanying schedule while retaining the legal duties and consequences in the Principles. The proposed package extends the present draft; it is not a description of existing universal law.			
144.	Principle 2 (General)	Given that Section I is where the Principles' defined terms are established, I recommend that the Working Group consider introducing, whether as a defined term in Principle 2 or as an explanatory concept in its commentary, an 'authorization envelope': a government-granted permission set (permitted use, eligible transferee jurisdictions, corresponding-adjustment status) that is transactional rather than status-based, that runs with the specific VCC on transfer, and that is issued by a sovereign in its treaty capacity rather than chosen by the parties. This concept would not alter the Principles' private-law treatment of title, custody or security; it would instead give the Principles a vocabulary for the layer — analogous to a zoning designation on land — that in practice determines the benefit a holder can realise from the instrument, and would materially assist registries, exchanges and buyers operating across the diverse national frameworks the Working Group is examining.	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore
145.	Principle 2	It would be more user friendly to have the defined terms in alphabetical order	TotalEnergies SE	Mr Cyril Vock	France

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Integrity Council for the Voluntary Carbon Market, The Core Carbon Principles.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(General)			Head of Low Carbon Regulatory Affairs and Advocacy, Direction Juridique, Exploration & Production Branch	
146.	Principle 2(1)	The definition of Verified Carbon Credits is broadly aligned with the definition set out in Brazilian legislation, namely Law No. 15.042 of December 11, 2024: “A tradable, autonomous asset (...) representing the effective retention, reduction, or removal (...) of 1 tCO₂e (one metric ton of carbon dioxide equivalent), generated from GHG retention, reduction, or removal projects or programs carried out by a public or private entity and subject to national or international methodologies that establish criteria and rules for the measurement, reporting, and verification of emissions, outside the SBCE.”	Government of Brazil	Ministry of Foreign Affairs	Brazil
147.	Principle 2(1)	Definition of a VCC: this is notably narrower than how carbon standards usually define their commodity (i.e., climate benefit verified in accordance with the applicable standard rules) or the UNFCCC/CMA (“real, verified, and additional emission reductions and removals, including mitigation co-benefits”). Is that restriction to the ‘achievement of a mitigation outcome’ needed or helpful? Would a qualification (“... has been verified in accordance with the applicable rules...”) not make matters more explicit? VCC: We understand the motivation for a minimalist scope (away from representing a climate benefit into the future towards a recognition of the climate benefit having taken place. However, is there a need for an arguably arbitrary	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		temporal qualification (“at the time of creation”)? Would it not make more sense to clarify that a VCC represents a climate benefit, measured in tCO₂e, generated during a specific period and verified in accordance with...” Verified CC: It is important to acknowledge verification as an important part in the lifecycle of any carbon asset. Most credits are also issued (in the draft language: “created”) upon verification. However, a conceptually important segment in the market relates to pre-verification credits (e.g., the Gold Standard’s Planned Emission Reductions and Plan Vivo’s forward Plan Vivo Certificates). While some of the legal consequences are different (e.g., fPVCs cannot be retired), it would be important to reference pre-verification credits and have proprietary rights recognized for them, too.			
148.	Principle 2(1)	The definition of “VCC” seems unusual and somewhat speculative, also in terms of timing. Consider using language from the Paris Agreement (not least since the draft uses the concept “outcome” from the Paris world) or focusing simply on the fact that there was a verification of the outcome (no need to require a ‘true’ achievement). Also, it would be important to clarify that the rules also apply to units that are provisionally issued (pending verification). The nature space includes several standards that allow for pre-verification issuance, and it would make little sense to exclude these standards and credit forms.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
149.	Principle 2(1)	Definition of verified carbon credit describes all basic features of VCC. Paragraph (1)(b) narrows the approval of positive verification statement only to a CB. However, as was outlined in comments 2.15 and 2.16, the approval is based	Government of the Russian Federation	Ms Vera Korytova Deputy Head of Division, Legal Department, Ministry	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		on particular criteria and is a process by which the positive verification statement results in the registration of the VCC. Therefore, it is acknowledged that the CB could adopt rules, procedures and criteria that provide for the process of approval/issuance of VCCs. This process of approval varies across different programmes, entities and jurisdictions. However, in most cases the process is regulated through established rules and procedures with designated person or entity responsible for approval/issuance. Taking into account that CB is responsible for adopting and administering of CCP's rules and procedures, we suggest adding in Principle 2(1)(b) the phrase describing the role of CCP (and consequently its rules and procedures) in the approval process: "[...] (b) The positive verification statement is approved by a CB or CCP; [...]"		of Economic Development	
150.	Principle 2(1)	1. We note the updated definition takes a "snapshot approach", please see our comments under Section IV. 2. Our brief understanding of this "snapshot approach" is: A VCC's existence as property is determined "as at the time the creation of the VCC". The VCC records the verified position at that moment. It captures a state of facts that subsequent events affecting the underlying mitigation outcome cannot alter. Reversal of the original mitigation outcome does not destroy the VCC. Over-issuance or non-achievement of mitigation outcomes established after creation does not, of itself, extinguish the VCC. Revocation is triggered only where it discloses a defect in the creation pathway. The events that bear retroactively on a VCC's	GenZero	Ms Sim Ting Head, Corporate Services Group and General Counsel	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		existence are limited to fraud, malfeasance, and complete nullity (e.g. VCCs issued against a project that never existed). Reversal is treated as a commercial and contractual matter between the parties; it is not an event that destroys the property right. 3. We agree with the notes to the Principles that 2 key objectives should drive the approach: both a soundness under property law principles and to deliver commercial certainty. We agree with the Working Group's own assessment that property scholars and national legislators are likely to regard Principle 11 as departing from how other instances of intangible property have been treated. That said, the law has shown that it is able to evolve to give protection to new classes of assets, while staying within certain ground principles or draw doctrinal analogues. This would be what we should aim towards to gain acceptance of the Principles.			
151.	Principle 2(1)(b)	Principle 2(1)(b) requires the positive verification statement to be approved by a CB. Commentary 2.15 describes approval as the process by which the statement results in registration of the VCC, conceptually distinct from registration itself even though the two may occur contemporaneously. Russian law does not generally require a project or the issuance of VCCs to receive separate approval from a federal executive body. An exception applies to projects implemented for the purposes of the Russian Federation's international cooperation: from 1 September 2026, project approval is an additional condition for	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		registration (sub-paragraph (b) of paragraph 4 of the Additional Conditions approved by Resolution No. 234 of the Government of the Russian Federation dated 5 March 2026). The discussion below concerns projects implemented outside those purposes. The criteria for implementing climate projects are established in advance by Order No. 361 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026. Compliance with those criteria is assessed by a validation and verification body accredited in the national accreditation system and not affiliated with the project implementer (paragraph 3 of the Procedure approved by Order No. 362 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026). For projects outside the internationalcooperation framework, once a positive statement has been obtained, the documents are submitted to the registry operator. The operator checks completeness, the signatory's authority, and whether any legal impediment to registration exists and, if there is none, registers the project; issuance of VCCs and their entry into circulation follow registration. For internationalcooperation projects, project approval is added as a separate registration condition. Principle 2(1)(b) is therefore satisfied for that category, while the consequences of two categories of units coexisting in the same registry are discussed in our comment on Introduction paragraph 33. All substantive elements of approval described in Introduction paragraph 33 are present in this framework, but they are distributed differently: the criteria are established by legislation, compliance is assessed by an independent			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		accredited person, and legal effect is given to that assessment by an act of the registry operator, which is authorized by the Government of the Russian Federation and operates under rules approved by it. There is no separate discretionary approval decision. For international cooperation projects, by contrast, such a decision is expressly required (Government Resolution No. 234 dated 5 March 2026). This confirms that the divergence from Principle 2(1)(b) concerns not the substance of the review, but only whether it is embodied in a separate act, while the remainder of the process for creating the units is identical. On a literal reading of Principle 2(1)(b), the condition is not satisfied even though the level of control in the framework described above is no lower than that contemplated by the draft: the criteria are prescribed by legislation rather than left to the discretion of a programme administrator, and compliance is assessed by an independent person whose accreditation likewise does not depend on the person operating the registry. It is important to distinguish this divergence from the issue addressed by the proposed amendment to Principle 2(11): allocation of functions among several persons and absence of one of the required acts are separate questions. We also note that international-cooperation projects are subject not only to project approval but also, before issuance, to approval by the Ministry of Economic Development of the Russian Federation of the issuance of carbon units (paragraphs 14-15 of the Additional Conditions approved by Government Resolution No. 234 dated 5 March 2026). In its subject matter and timing, that act corresponds to the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		condition in Principle 2(1)(b). National legislation therefore contains two issuance procedures operating in parallel, only one of which satisfies that condition. Proposed additions to the Principles: As noted above in Comment No. 2, one possible amendment would be to replace Principle 2(1)(b) with the following: '(b) The positive verification statement is approved by a CB, and such approval may be expressed through the act of crediting the VCC to an account;' Should the Working Group prefer not to amend the operative text, the same result could be achieved by adding to Commentary 2.15 a statement that approval does not require any particular form and that the condition in Principle 2(1)(b) is satisfied where the decision to issue VCCs is taken on the basis of criteria established in advance and is expressed through the act of making the issuance entry, including where approval and the decision to credit are made by the same person through the same act.			
152.	Principle 2(1), 2(2) and Commentary 2.8-2.10	The Draft should more clearly distinguish the verified mitigation outcome itself from the legal object created to represent it. While several provisions suggest such distinction, the definition of VCC may still allow the inference that a proprietary right extends to the underlying environmental outcome. It is recommended to state expressly that the VCC constitutes a legal representation of a verified outcome and not ownership of atmospheric carbon, biodiversity, ecosystem services, natural resources, or sovereign environmental assets.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
153.	Principle 2(1)	A central feature of the UNIDROIT Principles is the recognition of the VCC as an intangible asset capable of being the subject of proprietary rights. Under Principle 2, a VCC represents a verified mitigation outcome equivalent to one tonne of CO₂, provided that the mitigation outcome has been independently verified, approved by the relevant crediting body, recorded in a VCC registry and uniquely identified. The Principles expressly define the underlying "unit" as an intangible asset. This is highly consistent with the IsDB Shariah Board's conclusion that carbon credit certificates are intangible rights and financial rights relating to non-physical assets. The UNIDROIT approach also strengthens the argument for treating a VCC as a recognised <i>māl</i> (valuable property/right) in contemporary Islamic finance, because the VCC is: • individually identifiable; • legally permissible; • controllable through a registry; • transferable; • economically valuable; and • capable of providing a recognised benefit to its holder. UNIDROIT specifically explains that registration and unique identification give VCCs characteristics enabling them to be the subject of proprietary rights. Shariah assessment: Compatible.	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailem, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The legal characterisation of VCCs as intangible property/rights is broadly aligned with the IsDB Shariah Board's fatwa and provides a useful legal foundation for their treatment as financial rights in Islamic finance.			
154.	Principle 2(1) (Creation, Verification and <i>Gharar</i>)	UNIDROIT places considerable importance on the verification process. A VCC cannot qualify as a VCC under Principle 2 unless the mitigation outcome has been positively verified, approved by the crediting body and registered with a unique identifier. The underlying lifecycle also involves monitoring, reporting and independent third-party verification before creation of the VCC. This is positive from a Shariah perspective because robust verification helps reduce <i>gharar</i> and <i>tadlīs</i> (deception), both of which are expressly relevant to the Islamic Finance principles. Nevertheless, UNIDROIT recognises that verification does not completely eliminate the possibility of fraud, overissuance or reversal. Accordingly, Shariah compliance would require not only formal verification but also adequate procedures to ensure that the VCC represents a genuine and identifiable environmental benefit. Shariah assessment: Strongly supportive, but verification should be treated as a continuing integrity requirement rather than an absolute guarantee.	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailam, Acting Director General, IsDB Institute	International
155.	Principle 2(1), (6)–(8) (Meaning of verified)	The definition says a credit represents an achieved fact, while Principle 11 preserves it when that asserted fact is disproved. Commentary 2.9 also treats completion of	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		verification and approval as establishing that the underlying state of affairs existed. This conflates evidence with reality. Suggested formulation for Principle 2(1): "A VCC is an individuated unit recording an independently verified claim that a specified net mitigation outcome equivalent to one metric tonne of CO2 has been achieved, subject to the quality, disclosure and correction requirements of these Principles." Retain the four constitutive steps, adding a link to the proposed quality provision. State that verification is a reasoned assessment against disclosed criteria, capable of correction, rather than an irrebuttable assurance. Require disclosure of scope, assurance level, material qualifications and methodology version. Maintain the exclusion of ex ante promises from VCC status: forecasts and delivery contracts should be identified separately.			
156.	Principle 2(1) (Primary proposal)	This is the respondent's primary proposal. Commentary clarification alone cannot achieve the same result: Principle 2(1) does not presently make the situs interest constitutive, and Commentary 10.27 confirms that Principle 10(2) cannot widen the grounds in Principle 10(1). The respondent therefore invites reinstatement of former Principle 2(1)(f), renumbered as Principle 2(1)(e) in the current text, in the following substantially narrowed, creation-time capacity form: '(e) where the GHG mitigation project was carried out on land or on a natural resource treated as immovable property under the law of the State in which that resource is situated, the land or natural resource was, at the time of the acts	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		referred to in sub-paragraphs (a) to (d), capable, under the law of the State in which it is situated, of being made the object of the specific interest required by that law for carrying out the project.' The condition asks only whether the specific interest required by situs law for carrying out the project was legally capable of creation at the constitutive time. It captures neither ownership inalienability standing alone nor permitting, environmental, labour, fiscal or other project-conduct breaches. Consistently with Comment 7, the condition is engaged only for land and for natural resources treated as immovable under the law of the place where they are located; it identifies no connecting factor for other resources or for intangibles. The assessment is fixed at creation, consistently with Commentaries 2.9 and 2.10: a later change of law or policy does not alter whether the condition was satisfied then, while distinct regulatory, remedial or expropriatory consequences remain matters for other law. The allocation of this risk is not neutral. The relevant question can be investigated before creation: the status of the land or natural resource and the specific interest required for the project can be assessed under situs law during validation and approval. If the inquiry is omitted at creation, the resulting costs may be externalised to the host State and affected persons who stand outside the registry transaction and may have had no effective role in the crediting decision. If the inquiry is made at creation, the burden falls on the project proponent, the validation or verification body and the CB: the actors with timely access to the relevant project and legal materials and the institutional means to investigate			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		them. Requiring a documented situs-law assessment therefore places the inquiry with those best able to avoid or manage the risk, while leaving the allocation of any resulting loss to contract, insurance and other applicable law. Placing an ex ante legal inquiry with the actors best positioned to conduct it is consistent with ordinary private-law allocation of transactional risk. That allocation cannot safely be left to contract alone: the host State and affected persons may stand outside the crediting transaction and ordinarily cannot be bound by its private allocation of risk. If the Working Group considers a condition in Principle 2 structurally inapt, Comment 7 proposes an equivalent express bridge in Principle 10, with an appropriate cross-reference under Principle 4. Under either textual route, the consequential commentary clarifications in Comments 8 to 11 would implement the rule; they would not substitute for it.			
157.	Principle 2(1) and Commentary 2.13	The four conditions in Principle 2(1)(a) to (d) are acts within the crediting system: a positive verification statement, its approval by a CB, crediting to an account in a VCC registry, and individuation by a unique identifier (Commentary 2.13). None tests whether the land or natural resource on which the project was carried out was capable, under the law of the State in which it is situated, of being made the object of the specific interest required by that law for carrying out the project. Principle 2(10)(a), which defines a 'GHG mitigation project' by reference to the rules and requirements of a CCP, does not supply that situs-law condition. Public-property regimes illustrate why the question must be stated precisely. The <i>domaine public</i> tradition, categories of	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>bens públicos</i> in Brazil, and State forests addressed by Article 169 of the Constitution of Türkiye include rules restricting alienation or private ownership. Such restrictions do not, by themselves, establish that no concession, permission, usufruct, easement or other limited interest can be created. The proposed condition is engaged only where situs law excludes from the interests capable of creation the specific interest that law requires for carrying out the GHG mitigation project; mere inalienability of ownership is insufficient. The observation recorded at the eighth session — that intangibles are ‘purely what the law allowed them to be’ (Summary Report, Study LXXXVI – W.G.8 – Doc. 9, paragraph 100) — supports addressing this narrow case in the constitutive architecture. At present, however, the relevant interest is not a condition in Principle 2(1), and commentary cannot make it one. Comment 4 therefore proposes the primary textual bridge; Comment 7 offers an alternative textual location. Comments 8 to 11 address the consequences only if one of those routes is adopted.			
158.	Principle 2(1) (Definition of VCC); cf. Introduction, paras. 51–52, 56	Principle 2(1) defines a VCC by four cumulative elements — a positive verification statement, approval by a carbon crediting body, crediting to a registry account, and a unique identifier — none of which is authorization status. The Introduction records that a corresponding-adjustment label is ‘tagged or otherwise embedded in the unique identifier’ (para. 56), which places that status at the level of a descriptive tag on an element of the definition, rather than as an element of the definition itself. I submit this understates its significance: two VCCs identical under	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Principle 2(1) can have entirely different realisable economic content depending on authorization status. Thailand's TGO–Gold Standard cooperation, which unifies credits of different origins under a single legal form while preserving a provenance label as a distinguishing (but non-constitutive) attribute, shows the same technique could — and, I submit, should — be extended to authorization status, but with greater legal consequence than a mere label, since authorization determines whether a use is available to the holder at all. I recommend that Principle 2, or its commentary, recognise authorization/corresponding-adjustment status as a distinct legal attribute of the VCC.			
159.	Principle 2(1)	Defining a VCC- CO2 versus CO2 equivalent. The distinction between “one tonne of CO2” and “one tonne of CO2 equivalent (CO2e)” refers directly to the identity, measurement and legal ramifications of Verified Carbon Credits. This concept has far-reaching implications for not just the environmental phenomena underlying a VCC, but the actual establishment of the constitutive elements (rights, transfer, custody, security and insolvency rules) of the intangible asset that the entire proprietary law applies to. The area of concern here surrounds the use of terminology that remains consistent and accurately applies the unit of mitigation throughout the instrument. The problem becomes more pronounced because the draft expressly states that the mitigation outcome may concern any number of greenhouse gases, including gases other than CO2, and that those outcomes are measured by reference to their equivalence to CO2.	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurbur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The distinction between CO₂ and CO_{2e}. CO₂ and CO_{2e} are not interchangeable concepts. A tonne of CO₂ refers to the physical mass of carbon dioxide, as an element in itself. A tonne of CO_{2e}, by contrast, is a metric for expressing the climate effect of another greenhouse gas in terms of the corresponding amount of CO₂ and CO₂, using an agreed greenhouse gas metric, ordinarily a Global Warming Potential (GWP) over a specified period of time. The IPCC thus defined CO₂ equivalent emissions as the amount of CO₂ that would produce an equivalent effect over a specific time period, on a specific measure of climate change as the emitted amount of another greenhouse gas or mixture of some greenhouse gases. Recommended amendment. 1. Amend Principle 2(1) so that it expressly provides that a VCC represents a mitigation outcome “equivalent to one metric tonne of carbon dioxide equivalent (CO_{2e})”, rather than “equivalent to one tonne of CO₂”. The same terminology should be carried through Principle 2(6). 2. Insert a new Principle 2(1)(f) immediately after the existing requirements concerning the individuation of a VCC under Principle 2(1)(e): “The one tonne of carbon dioxide equivalent represented by the VCC is calculated using a global warming potential (GWP) methodology, time horizon and conversion factor specified by the applicable carbon-crediting programme. Any subsequent revision to the applicable GWP methodology, time horizon or conversion factor should apply only in accordance with clearly defined transition rules and should			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		not retrospectively alter the quantity represented by a VCC that has already been created.” 3. Guidelines circulated must require that all references to greenhouse-gas quantities must clearly between physical tonnes of CO₂ and tonnes of CO₂e stating the metric and timescale used whenever CO₂e are employed. An exhaustive or regularly amended table of conversion factors should be included for ready reference and to ensure consistency and clarity Key References. U.N. Framework Convention on Climate Change, Common Metrics, https://unfccc.int/process-and-meetings/transparency-and-reporting/reporting-and-review/methods-for-climate-change-transparency/common-metrics; Kyoto Protocol to the United Nations Framework Convention on Climate Change, Dec. 11, 1997, 2303 U.N.T.S. 162, https://unfccc.int/process-and-meetings/the-kyoto-protocol; Dagmawe Tenaw & Alemu L. Hawitibo, <i>Beyond Emissions: Kyoto Protocol, Clean Energy Transitions and Green Productivity Growth- A Collective Approach with Binding Targets</i>, https://www.sciencedirect.com/science/article/pii/S2211467X25002421; Intergovernmental Panel on Climate Change, 'Annex VII: Glossary' in <i>Climate Change 2021: The Physical Science Basis (Working Group I contribution to the Sixth Assessment Report</i>, 2021)<https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_FullReport.pdf> accessed 8 September 2026 (defining 'CO₂-equivalent emission' as "the amount of carbon dioxide (CO₂) emission that would have an equivalent effect on a specified key measure of climate			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>change, over a specified time horizon, as an emitted amount of another greenhouse gas (GHG) or a mixture of other GHGs").</i>			
160.	Principle 2(1); Introduction paragraphs 24, 28-33 (Informational foundations of VCC legal certainty)	The Draft describes how a VCC comes into existence. The monitoring report provides the “factual basis” for verification (Introduction, paragraph 28). The VVB assesses whether GHG mitigation outcomes are “accurate, real, and in accordance with the applicable methodology” (paragraph 29). Each VCC represents a verified mitigation outcome measured on a “one tonne of carbon dioxide equivalent” basis (paragraph 31). Principle 2(1) then sets out four constitutive requirements: a positive verification statement, approval by a crediting body, crediting to an account in a VCC registry, and individuation through a unique identifier. These provisions show that a VCC does not emerge independently of information. Before it becomes an individuated intangible asset, the relevant mitigation outcome must be quantified, reported, verified, approved and recorded. The private-law certainty of a VCC cannot be entirely separated from the trustworthiness of the informational and institutional processes through which the verified fact represented by that asset is established. It is therefore useful to distinguish three things: the underlying mitigation outcome and the carbon information concerning it; the verification and institutional processes through which that information is assessed and approved; and the VCC itself as an individuated intangible asset capable of being the subject of proprietary rights. These are connected but distinct. A VCC should not be conflated with the underlying environmental outcome, carbon data or	Dr George Yijun TIAN	Associate Professor at the Faculty of Law, University of Technology Sydney, Australia <i>Comments submitted in academic capacity</i>	Australia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		verification records; nor should a tokenised or digital representation be treated as the VCC itself without regard to the registry-based legal structure. Because a VCC represents a quantified mitigation outcome, measurement reliability and traceability may form part of the wider infrastructure supporting verification and confidence in the resulting asset. The Principles need not regulate national measurement law or prescribe any particular methodology. A concise acknowledgement is sufficient. Information integrity is also a broader concern in international climate governance; the narrower point here is how informational reliability relates to private-law certainty, not the creation of an independent private-law doctrine of information integrity. Recommendation: I respectfully suggest that the Introduction or Commentary to Principle 2 briefly acknowledge that the private-law framework operates upon informational and institutional processes through which mitigation outcomes are quantified, verified, approved and recorded, while making clear that the substantive regulation of those processes remains outside the scope of the Principles. This clarification would not expand the Principles' scope. <i>Possible wording: "The private-law framework established by these Principles operates upon an informational and institutional foundation. A VCC is constituted through a sequence of processes - including measurement, monitoring, reporting, verification, approval and registration - whose reliability contributes to confidence in the asset. The</i>			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>substantive regulation of those processes remains outside the scope of these Principles.”</i>			
161.	Principle 2(2) (Separate reduction avoidance and removal)	Replace the two-limb definition with three separately identified categories for the purposes of these Principles: (a) Emission reduction: a quantified decrease in emissions from a specified source or activity relative to an approved conservative baseline. (b) Emission avoidance: emissions demonstrated not to have occurred relative to an approved counterfactual involving their occurrence, identified separately where the methodology credits that counterfactual prevention. (c) Removal: an anthropogenic withdrawal of a specified GHG already in the atmosphere; for CO₂, this requires storage with its duration and reversal risk disclosed. Explain that (a) and (b) can overlap in programme terminology; the labels require consistent mapping and do not create additional creditable quantities. Define net credited outcomes after project emissions, leakage and uncertainty deductions. Require separately quantified components in mixed projects and prohibit crediting the same outcome in more than one category. Atmospheric CO₂ removal must be distinguished from avoided release of existing carbon stocks and capture of fossil emissions at source [R3].	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
162.	Principle 2(2); Commentary 2.8–2.12	Require each removal credit to identify the storage reservoir, expected storage duration, monitoring commitment, reversal risk and party responsible for remediation after credit issuance and retirement. Specify that the monitoring	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Durability and legal significance)	period is not itself evidence of storage duration. Apply equivalent reversal disclosure to reductions or avoidance that depend on maintaining a carbon stock. Add: "Credits with materially different mitigation processes, storage characteristics or accounting status are not presumed interchangeable solely because they use the same CO2-equivalent denomination." Short-duration storage must not be relabelled as permanent through ownership transfer, pooling or insurance. For net-zero compensation, recommend that residual fossil CO2 be matched with additional CO2 removal and sufficiently durable storage; reductions and avoidance should not be presented as neutralising that residual stock. This is proposed integrity guidance, informed by the Oxford Offsetting Principles, not a claim that all existing schemes impose that rule [R4]³⁶.			
163.	Principle 2(2)(a)	Revise section 2a as follows: Delete "and/or avoidance". <i>Reason: All mitigation activities generating carbon credits are either an emission reduction or a removal, compared to a baseline. The term "avoidance" is interpreted in very different ways and not defined under the UN Framework Convention on Climate Change (UNFCCC). Its use thus would lead to confusion.</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
164.	Principle 2(3) and Commentary 2.7	The designation of VCCs as "intangible assets" may benefit from additional qualification regarding national legal classifications. Some jurisdictions may recognize carbon credits as sui generis regulatory instruments rather than	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and	Colombia

³⁶

Oxford Principles for Net Zero Aligned Carbon Offsetting, revised 2024.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		ordinary intangible property. A clarifying statement could indicate that the Principles do not seek to harmonize domestic asset classification systems and that their objective is functional recognition for private-law purposes only.		Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
165.	Principle 2(3) and Principle 3 ("intangible asset" and proprietary rights)	It is recommended to clarify that characterizing a VCC as an "intangible asset", and recognizing its capacity to be the subject of proprietary rights, does not predetermine the specific legal classification applicable under domestic law, nor does it imply ownership of the underlying mitigation outcome, stored carbon, natural resources, land or territorial rights.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
166.	Principle 2(3)	Unit: This probably means that a VCC is an intangible asset, but the wording seems odd. Should this also not go into a material provision? Cf. the legal technique used in Art. 36 of Regulation (EU) 2019/1122 ("Registry Regulation"): "An allowance shall be a fungible, dematerialized instrument that is tradable on the market." There is less of a case for fungibility when it comes to VCCs (no quid pro quo), but a material provision concerning what the VCC is in terms of its legal nature seems to make sense.	Government of Germany		Germany
167.	Principle 2(3)	The characterization of a VCC as an 'intangible asset' — Principle 2(3) — is shared, which directly aligns with the concept of 'res incorporales'. This classification ensures that	Government of Uruguay	Directorate of International Law Affairs, Ministry of Foreign Affairs	Uruguay

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		VCCs can be integrated into national property and secured transactions frameworks. However, it is emphasized that the characterization of a VCC as private property must not restrict the sovereignty, taxing authority, or environmental regulatory oversight of the host State. The importance of ensuring that private proprietary rights under these Principles remain subject to the domestic public interest and climate regulations is highlighted.			
168.	Principle 2(3) ("Unit" means an intangible asset)	Principle 2(3) defines "unit" as "an intangible asset", a term which is not itself defined. In a number of civil-law systems "bien incorporel" or "bem incorpóreo" is a codified category carrying specific consequences, and an implementing legislature may read the definition as directing a particular classification. We suggest that the Commentary clarify that "intangible asset" is used descriptively to convey that a VCC is individuated but not tangible, as Introduction paragraph 68 explains, and is not intended to operate as a legal classification binding on implementing law.	American Association of Private International Law (ASADIP)		Americas
169.	Principle 2(3); Principle 3(1)–(2); Commentary 3.1; Commentary 20.6	The Principles should take a clear position that a VCC is an intangible property capable of physical delivery, rather than stopping short with the formulation that a VCC "can be the subject of proprietary rights". It is acknowledged that the Draft Principles already define a VCC as an intangible asset (Principle 2(3)) and provide that a VCC can be the subject of proprietary rights (Principle 3(1)), with "proprietary rights" defined to include both proprietary interests and rights with proprietary effects (Principle 3(2)). The recommendation is that Principle 3(1) be revised to state explicitly that a VCC is	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		an intangible property capable of delivery by transfer on a registry. Further, the Working Group should clarify in the Commentary that the VCC itself – rather than only contractual rights against a registry or crediting body – is the relevant proprietary object. That clarification is consistent with Commentary 20.6, which already treats the VCC itself as the collateral asset in secured transactions. Classifying a VCC as an “object of proprietary rights” is important but not sufficient: uniformity is valuable only if the uniform rule is specific enough to be operative, and a rule that is uniform in wording but leaves the classification question to each State’s residual law does not deliver the predictability that capital requires. Additionally, the Commentary can make clear that the characterization of an issued VCC as an intangible commodity and an object of proprietary rights addresses only the legal nature of the credit itself. In particular, in the context of jurisdictional REDD+ programs, that characterization should not be understood to determine ownership of the underlying forest or carbon resources, ownership of the underlying emission reductions or removals, or the rights and authority of a State or subnational jurisdiction in relation to its jurisdictional program and the mitigation outcomes generated within its territory, each of which remains a matter for the law of the host jurisdiction.		Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	
170.	Principle 2(3)	We support that a Unit is expressly stated as being an intangible asset.	TotalEnergies SE	Mr Cyril Vock Head of Low Carbon Regulatory Affairs and Advocacy, Direction	France

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Juridique, Exploration & Production Branch	
171.	Principle 2(5)	Add new section between section 5 and 6: 'Validation' means the mandatory check of documentation of a GHG mitigation project for conformity with the rules of the CCP, particularly regarding additionality and the application of a baseline and monitoring methodology, by a VVB prior to registration of the project by the CCP. <i>Reason: Independent third-party validation is a key step to ensure mitigation projects generate real and additional VCCs. There is no credible CCP that does not require validation.</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
172.	Principle 2(5) and 2(24), Commentary 2.19 (Concerns text in square brackets)	Commentary 2.19 explains that a block of VCCs given a single identifier is individuated, and that where the block is split each resulting block or individual VCC must be given a unique identifier in order to be individuated in turn. The paragraph closes with a bracketed observation that care needs to be taken during the splitting process to ensure that there are no rounding errors or double counting, and suggests that a State could consider requiring measures to be taken as a matter of regulatory law to avoid these outcomes. We respectfully suggest that this matter is not exclusively regulatory. Commentary 3.2 founds the capacity of a VCC to be the subject of proprietary rights on four attributes, the first of which is individuation and the third of which is rivalrousness, that is, that if one person controls the unit another does not. A rounding error or a duplication in the splitting process does	PROMETEO LegalCrypto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		not merely produce an accounting discrepancy: it destroys, in relation to the units concerned, the very attribute on which Principle 3(1) rests. Two units purporting to represent the same tonne are not two individuated assets; they are a failure of individuation. The point is familiar from the law of transferable documents, where the impossibility of distinguishing an original from a copy has long been recognised as the structural obstacle to dematerialisation, and where the solution adopted by the UNCITRAL Model Law on Electronic Transferable Records is not to leave the matter to regulation but to require a reliable method that identifies the record as the record in question and distinguishes it from any copy. We therefore should suggest that the Commentary states expressly that the integrity of the individuation is a condition of the operation of Principle 3(1), and that a failure of individuation in the splitting process has proprietary and not merely regulatory consequences. Whether States choose in addition to impose regulatory requirements is a separate question, and we accordingly suggest that the bracketed language in Commentary 2.19 should be retained (with “State” capitalised).			
173.	Principle 2(6)	Inconsistent Application within the Draft. The black-letter definition in Principle 2(1) refers to an equivalent of one tonne of CO₂. However, Principle 2(6) dealing with the positive verification statement adopts a substantially different formulation: “...a statement that a mitigation outcome of the equivalent to one tonne of CO₂ has been achieved...”. The definition therefore performs a boundary-setting function. If the unit is defined as representing one	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		tonne of actual CO₂, a reader could reasonably argue that a credit based upon methane, nitrous oxide or another greenhouse gas does not fall within the definition unless the phrase “equivalent to” is interpreted as silently incorporating a CO₂e methodology. However, since the draft describes the entire lifecycle of VCCs in terms of GHG mitigation outcomes and states in its summary that VCCs represent one tonne of CO₂e of independently verified GHG mitigation outcome, the formulation in Principle 2(1) is more accurate, and the drafting shorthand in Principle 2(6) must thus be fixed. The importance of the Global Warming Potential methodology. CO₂e is not a self-defining legal or scientific quantity. It is rather a metric-dependent measure whose value depends on the methodology and time horizon used to establish equivalence. The IPCC recognises that different greenhouse-gas metrics simplify different aspects of the climate system and that the choice of metric should correspond to the policy objective. The Kyoto Protocol, for instance, through Article 5.3 illustrates the importance of resolving this question at the international level by providing that the GWPs used to calculate CO₂ equivalence are those accepted by the IPCC, agreed on by the entire Conference of Parties delegation, and are periodically revised. Thus, the conversion of another greenhouse gas into CO₂e is not simply a matter of physical measurement; it reflects a methodological and institutional choice concerning the metric against which equivalence is to be established. Effect. This has particular significance for UNIDROIT’s proposed definition of a VCC because the conversion methodology can vary across individual countries’ carbon-		Dhikshitha N, Anubha Mathur (Students)	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		crediting programmes as VCCs are intended to function as transferable property and collateral across jurisdictions. This creates an issue of lack of legal universality on the quantification of a VCC. There is thus an explicit need to have international consensus on the technical standardisation to establish the method for quantifying a VCC. Without such a common baseline, the proposed definition risks treating the VCC as a determinate unit while leaving the methodology by which that unit is constituted variable. Key References. <i>U.S. Environmental Protection Agency, Greenhouse Gas Equivalencies Calculator</i>, https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator; Chris Wold, David Hunter & Melissa Powers, <i>Climate Change and the Law</i> (2d ed. 2013).			
174.	Principles 2(9) and 2(11) (VVB/CB and domestic accreditation and recognition requirements)	It is recommended that the principles expressly recognize the power of States, in accordance with their domestic law, to establish accreditation, authorization and technical competence requirements applicable to validation and verification bodies, in addition to any approval or authorization granted by the relevant crediting body.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
175.	Principle 2(9) and 2(11)	Principle 2(9) provides the definition of VVB, which is a legal person that is “approved or authorized by the relevant CB to carry out that verification process”. At the same time, the words “to approve” and “to authorize” have almost the same meaning.	Government of the Russian Federation	Ms Vera Korytova Deputy Head of Division, Legal Department, Ministry	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		It is worth noting that CB could represent the government body or bodies as is provided in Principle 2(11). In case of governmental crediting scheme, the VVBs are usually go through the process of accreditation in the national system of accreditation using rules and procedures established by the national law on accreditation. Usually, as is the case of the Russian Federation, the accreditation process is carried out by a public agency or authority and guarantees the analysis of fulfilment of GHG VVB with all necessary requirements (ISO 14065, ISO 17029, ISO 14066, ISO 14063-3) as well as the confirmation of competence of GHG VVB's teams. We suggest displaying in Principle 2(9) the option covering governmental crediting scheme in the following manner: "VVB (validation and verification body) means a legal person that, in respect of a verification process, is accredited approved or authorized by the relevant CB to carry out that verification process [...]". Accordingly, we suggest making the same revisions in Principle 2(11)(a)(ii): "[...] accreditation approval or authorization of the VVB that carries out the verification process relating to that VCC [...]".		of Economic Development	
176.	Principle 2(9), (11)–(13)	Strengthen independence beyond formal separation of legal persons. In Principle 2(11)(b), replace "or" between the project participant and VVB limbs with "and", consistently with Commentary 2.24. Require competence and recognised	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Assurance and methodological governance)	accreditation of VVBs, disclosure of material conflicts, separation of consultancy from assurance, and reasoned approval decisions by Crediting Bodies. Payment structures should not reward approval of larger credit volumes. Require public methodologies, material data and verification reports, with justified confidentiality exceptions. Methodological approval and material revisions should include meaningful stakeholder consultation and responses to comments. A Crediting Body should have a duty to investigate credible evidence of deficiencies, not merely discretion to accept a positive statement. Rename “CCP” in Principle 2(12) as “crediting programme”, or use a different abbreviation. Its present use conflicts with the ICVCM’s Core Carbon Principles and risks suggesting an integrity endorsement that the draft does not require.			
177.	Principle 2(11)	It is proposed that, in the definition under subparagraph (a), consideration be given to the scenario in which the Crediting Body and the Registry Operator are the same institution, and relevant functional descriptions be added.	Government of China		People’s Republic of China
178.	Principle 2(11)	Principle 2(11) outlines the definition of the crediting body with the meaning of “legal person, a governmental body or an intergovernmental body”. In this respect, we would like to note that in many countries (Russia, Japan, Thailand, etc.) governmental “crediting body” consists of different ministries, agencies and public bodies. The reason is clear – different ministries are specialized and responsible for different types of activities and, accordingly, for setting special rules for such types of activities. For instance, the Ministry of Agriculture and	Government of the Russian Federation	Ms Vera Korytova Deputy Head of Division, Legal Department, Ministry of Economic Development	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Forestry usually is responsible for AFOLU and LULUCF projects, Ministry of Energy – in projects aiming at reduction of emissions from the energy sector. The Ministry on Climate Issues (or in case of Russia – the Ministry of Economic Development) is responsible for overall administration of the VCC Registry and other rules and procedures. It also should be noted that Paris Agreement Crediting Mechanism (PACM) is the most famous representation of international VCC scheme created and functioning under the guidance developed and adopted by the Parties to the Paris Agreement. However, it should be noted that the Supervisory Body that establishes standards and procedures under PACM cannot be considered as “intergovernmental body” because it does not consist of governments or government representatives – members of the Supervisory Body serve in their individual expert capacity (Decision 3/CMA.3., Annex, paragraph 6). For this reason and taking into account the definition set out in Principle 2(11), PACM cannot be considered as CB under these Principles, which is unfortunate, in our opinion. That is why in order to properly reflect the existing nature of governmental crediting bodies and international schemes we <u>suggest making certain adjustments to the definition of CB in Principle 2(11)</u> in the following manner: “CB (crediting body) means a legal person, a governmental scheme body or an international mechanism intergovernmental body [...]”			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
179.	Principles 2(11) and 4(9); Principles 14 and 15	<u>Issue:</u> The draft recognizes that a crediting body may be a governmental or intergovernmental body and notes that the UNFCCC secretariat may administer the Article 6.4 mechanism registry. Principle 15 nevertheless treats the registry operator as if it were an ordinary private legal person subject to court orders, insolvency rules, and ordinary private law duties. An international organisation, its property, or its registry may enjoy privileges and immunities under its constituent instrument, headquarters agreement, or an international convention. <u>Recommendation:</u> Retain Principle 4(9), which is currently bracketed, and extend it to the constitutive rules of an international mechanism. The definition of legal person should include legal personality under international law. Registry duties, court orders, and insolvency rules should be subject to the organisation's constituent instrument, rules, privileges, and immunities. Where immunity bars access to national courts, registry rules should provide an appropriate dispute settlement mechanism.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
180.	Principle 2(13)	Revise section 13a as follows: 'Methodology' means an approach approved by a CCP for the assessment of additionality of a specific GHG mitigation project type as well as the determination of the emissions baseline, and the monitoring of project emissions and calculation of the mitigation outcomes for this project type. <i>Reason: The definition of 'methodology' in the current draft of the principles is not specific enough, as it can be</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>misconstrued to relate to other rules beyond those specifying additionality determination, baseline setting and monitoring and reporting of project emissions.</i>			
181.	Principle 2(13)	Add sub-section 13c: 'Additionality' means that a GHG mitigation project has been mobilised by the revenues from the sale of VCCs. <i>Reason: Additionality is a key precondition for the creation of VCCs. If additionality of a GHG mitigation project proposed for registration is not given, the project should not be registered.</i>	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
182.	Principle 2(14)	"Creation means the moment when a VCC comes into existence", reads tautological, and we wonder if a reference to "issuance" (a term widely used, including by the UNFCCC/CMA, but which the current draft rejects as "colloquial" and "ambiguous", cf. 2.14) or "credited to an account" (as used in 2.1c of the draft) would not be more helpful.	Government of Germany		Germany
183.	Principle 2(15)	It seems confusing the mix the act / transfer (move from one account to another) with the legal consequence (change of proprietary right). Is this definition needed? Note also common usage, e.g., the EU Registry Regulation, which defines 'transaction' as a "process in the Union registry that involves the transfer of an allowance from one account to another account".	Government of Germany		Germany
184.	Principle 2(15); Commentary 2.30 and 2.32.	Commentary 2.30 draws a distinction of considerable importance: a change in the registry account to which a VCC is credited may or may not be associated with a transfer of proprietary rights, and conversely a transfer of proprietary rights may or may not be accompanied by a change of	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241),	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Suggestion for alignment with the DAPL)	account. Commentary 2.32 adds, in square brackets, that a person to whose account a VCC is credited may have no rights at all and yet have the power to transfer rights to an innocent acquirer. Both passages describe the separation between a factual position of control and the legal position of entitlement. That separation is already established in the DAPL, and in terms so close to those of the present draft that the alignment appears to exist already and needs only to be made express. Commentary 2.27 to DAPL Principle 2 states that a person in control of a digital asset "may have no rights at all" and may nonetheless have "the power to transfer greater rights than that person has". Commentary 2.32 of the present draft reproduces that proposition almost word for word. The conceptual basis is supplied by Principle 6, of which the commentary published by this Project observes that control is "a factual concept that is separate from, and need not accompany, proprietary rights". We should suggest that Commentary 2.30 and 2.32 refer expressly to Commentary 2.27 and to Principle 6 of the DAPL. Doing so would give the reader a settled conceptual vocabulary for a distinction that these Principles otherwise leave implicit and would reinforce the continuity between the two Instruments to which the present draft aspires. The Project has examined that distinction at length and has been able to demonstrate it empirically in the context of negotiable instruments, where an instrument may be endorsed for collection so that the endorsee acquires the operative position of the holder, including the capacity to		Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		obtain the benefit of the instrument and to exclude others, while ownership of the underlying claim remains with the endorser.			
185.	Principle 2(17)	The definition of cancellation is adequate; however, the process of cancelling VCCs under principles 9 and 10 should be updated as provided for in the comment section of principles 9 and 10.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
186.	Principle 2(21)	Please see Comment No. 1 “General observation with respect to Principle 2, Principle 3, Principle 14 and Principle 16” in this document and respective suggested solution to the issue raised: <u>Option 1:</u> “Principle law” means any part of a State’s law which implements or is consistent with these Principles except for the Principles 2, 14 and 16 [for which definitions used in national law could vary depending on national circumstances.]. <u>Option 2:</u> “Principle law” means any part of a State’s law which implements ~~or is consistent with~~ these Principles.	Government of the Russian Federation	Ms Vera Korytova Deputy Head of Division, Legal Department, Ministry of Economic Development	Russian Federation
187.	Principle 2(21) and 2(22)	Principles 2(21) and 2(22) distinguish between Principles law, referring to rules of a State that implement or are consistent with the Principles, and “other law”, referring to the remaining law of that State. Principle 3(3) provides that Principles law takes precedence over other law to the extent that they conflict. The Draft does not clearly address how conflicts between Principles law and mandatory rules or ordre public rules forming part of other law should be resolved. Although Principles 4(10) and 4(11) expressly address public order	Dr Le Xuan Tung, Principal Researcher Ms Nguyen Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of</i>	International Law Division, Institute for Legal Strategy and Science, Vietnam	Vietnam

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		and overriding mandatory rules in the context of private international law, it remains unclear whether and how these safeguards operate where such rules conflict with Principles law under Principle 3(3). This is particularly relevant because other law may include administrative rules and other mandatory provisions. A further issue concerns the hierarchy of Principles and other law. Its application depends on how each State incorporates the Principles into its domestic legal system. If Principles law is implemented through legislation or regulations that have a lower position in the domestic hierarchy of norms than conflicting rules of other law, the Draft does not explain how the “precedence” established by Principle 3(3) should operate in cases of conflict between domestic legal instruments.	<i>the Institute or any other organisation or authority</i>		
188.	Principle 2(24) (CB independence bracket)	Support retaining CB independence as a drafting option rather than a hard definitional requirement. Some national or state-linked crediting frameworks may combine methodology approval and programme administration within a single public body.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
189.	Principle 2, Commentary 2.8	Optional bracketed sentences add clarity and should be inserted	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
190.	Principle 2, Commentary 2.10	Reversal. A further issue arises where a reversal occurs after the VCC has already been issued and transferred. If the underlying mitigation activity is conceptually and legally	Milena Colombo	MSc candidate, Trinity College Dublin	Brazil

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		separated from the VCC as a tradable legal instrument, a subsequent reversal affecting the project should not affect the value of the VCC as a title that has already been created, VERIFIED, issued and transferred. This issue arises from the way registry functions are currently structured. Where the same registry records both the underlying mitigation project and the VCC, a subsequent event affecting the project may be reflected directly in the status of the VCC, creating uncertainty as to whether a reversal affects the ownership, value or transferability of a title that has already entered the market. A possible solution would therefore be to separate the functions of the project registry from those of the registry responsible for recording and maintaining the VCC as a tradable title. Under such a model, as discussed above, once a VCC has been created and legally recognised under the domestic framework applicable to the jurisdiction in which the mitigation project was generated, the VCC could subsequently be recorded and transferred through an international registry responsible for maintaining the title and providing publicity of transactions and interests in it. This separation would not prevent the relevant domestic legal system from addressing reversals at the level of the underlying mitigation activity. Rather, it would prevent a subsequent event affecting the project from automatically disrupting the legal status of a VCC that has already been validly created and transferred. It could therefore provide greater certainty regarding the continuity, transferability and liquidity of VCCs in secondary markets, while			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		preserving the jurisdiction's authority over the underlying mitigation activity.			
191.	Principle 2, Commentary 2.10–2.11 (Reversal and remediation definitions)	Add definitions of reversal, suspension and environmental remediation. A reversal is a subsequent loss of a previously achieved and credited mitigation outcome, including release of credited stored carbon; overissuance concerns a deficiency already present when the unit was created. The relevant factual timing, rather than the date of discovery, should distinguish them. Define suspension as a recorded, reviewable restriction on dealings or use pending determination or remediation. Define environmental remediation as independently verified action making good the quantified mitigation shortfall, with replacement units meeting appropriate type, durability and accounting criteria and being irrevocably allocated to that purpose. Distinguish environmental remediation from financial compensation. Damages, insurance payments and price adjustments may protect a holder against loss but do not, without further action, repair the atmospheric shortfall. The definition should also cover deficiencies discovered after retirement, when no tradable asset remains to cancel.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
192.	Principle 2, Commentary 2.10–2.11 and 11.9–11.10 (Fallback if asset survival is retained)	If the Working Group retains Principle 11(2), adoption should be conditional on a mandatory integrity regime. At minimum: public deficiency flags; prompt notification through registries and custodians to current and retired-credit beneficiaries; prevention of unrestricted climate use until remediation; independent determination of shortfalls; a	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		funded replacement obligation; and continuing records after retirement or cancellation. A tradable residual asset should be explicitly labelled as deficient or disputed, with any compensation rights separately identified. The provision should not compel a registry to execute retirement as valid mitigation merely because property rights survive. Delete the optional brackets around regulatory law in Principle 11(3) and reconcile the provision with Principles 3, 9 and 15. The draft's reliance on price discounts, contractual claims and insurance does not itself guarantee atmospheric correction. If safeguards remain optional and vary across programmes, the case for the base rule is materially weaker, not stronger.			
193.	Principle 2, Commentary 2.12	Commentary 2.12 justifies the separation of a VCC's existence from its subsequent environmental integrity by analogy to patents and registered designs, citing TRIPS Articles 27(1) and 33 and Articles 25(1) and 26(3), and reasoning that disclosures arising after the effective filing date do not retroactively destroy novelty or inventive step. That proposition is correct, but the analogy supports a limited temporal distinction. Patent criteria are assessed at a fixed date; later discovery may reveal a defect that existed at that date. Under Article 68 EPC, to the extent that a European patent has been revoked, it is deemed not to have had, from the outset, the effects specified in Articles 64 and 67. TRIPS Article 32 requires an opportunity for judicial review of decisions to revoke or forfeit a patent. These points do not establish a general rule for VCCs; they show only that	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		a creation-time snapshot is compatible with later proof that the condition was not satisfied at that time. The final sentence of Commentary 2.12 directs to Principles 10 and 11 defects concerning a verified mitigation outcome that, contrary to the verification, had not occurred at creation. It does not address all creation-time defects. Treatment of the distinct situs-capacity defect therefore requires the express textual bridge proposed in Comment 4 or Comment 7; the references in Comments 9 to 11 would operate only after that bridge is adopted.			
194.	Principle 2, Commentary 2.14	Insert new commentary before commentary 2.14: The first condition is that the GHG mitigation project has been duly validated by a VVB. Such validation is a precondition for registration of the project by a CCP. Validation is assessing whether the proposed GHG mitigation project is in line with the applicable methodology and other requirements defined by the CCP.	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
195.	Principle 2, Commentary 2.19	Optional bracketed sentence is useful and should be kept	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
196.	Principle 2, Commentary 2.24	Commentary 2.24 identifies three functions whose performance is an essential characteristic of a CB. The comparison below considers those functions against the powers of the Ministry of Economic Development of the	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Russian Federation, the body whose role most closely corresponds to the CB described in the draft. (1) Approval of the applicable methodology. Requirements for climate-project methodologies, including their classification, are established by Order No. 364 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026, issued under Article 9(2) of Federal Law No. 296-FZ of 2 July 2021. The methods (methodology) appear in the Order as sections of the report to be completed by the project implementer, including a section on deviations from the methodology. One of the prescribed criteria is that project activities must be carried out in accordance with documents of the national standardization system concerning the limitation of greenhouse-gas emissions, the approval of which is provided for by Article 5(3) of the Federal Law. The methodological framework is therefore established not through an exercise of public authority approving a methodology for a particular project, but through a combination of legally prescribed requirements for methodologies, their approval under the national standardization procedure, and approval of each methodology by the competent authority. Order No. 364 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026 sets out the requirements for climate-project methodologies, including their classification. Under paragraph 1 of those requirements, a methodology is developed and approved as a document of the national standardization system in the field of greenhouse-gas emission limitation, in accordance with section 5 of GOST R			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		1.2-2020 and subject to the requirements of the national standards GOST R ISO 14064-2-2021 and GOST R ISO 140802021, as well as requirements concerning classification, transparency, structure, and the content of the methodology's sections. Under paragraph 3, methodologies must be approved by the Ministry of Economic Development of the Russian Federation pursuant to Article 5(3) of the Federal Law; methodologies for international cooperation are approved taking into account the expert opinion of the expert council on greenhouse-gas emission limitation. Approved methodologies are published on the official website of the carbon unit registry operator. Their technical content is set by national standards developed by technical standardization committees and approved by the Federal Agency for Technical Regulation and Metrology under Federal Law No. 162-FZ of 29 June 2015. Although application of national standards is voluntary (Article 4 of Federal Law No. 162-FZ), use of a methodology approved as such a document is a condition for a project to be assessed as qualifying as a climate project. We note that the ISO 14064 and ISO 14080 series have been adopted as national standards based on the same international standards to which Introduction paragraph 29 refers when describing the verification process. The function in Principle 2(11)(a)(i) is therefore performed under the Russian framework, but is divided between two entities: the Ministry of Economic Development of the Russian Federation sets the requirements for methodologies and approves the particular methodology, while the methodology itself is adopted through the national			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		standardization procedure. The divergence from Principle 2(11) lies not in the absence of the function, but in its allocation and in the form in which it is performed. (2) Approval or authorization of the VVB. Greenhouse-gas validation and verification bodies are accredited through the national accreditation system. The Ministry of Economic Development of the Russian Federation has no corresponding authority. (3) Approval of the positive verification statement. For projects implemented outside the international cooperation framework, no such power is formally provided for (see our comment above on Introduction paragraph 27, including the discussion of how VCCs can be recognized under national systems that do not formally comply with the draft's strict framework but are substantively equivalent). For climate projects implemented for international-cooperation purposes, such a power has applied since 1 September 2026. Under paragraph 14 of the Additional Conditions approved by Resolution No. 234 of the Government of the Russian Federation dated 5 March 2026, the additional conditions for issuing carbon units include a project-approval decision and approval of the issuance of carbon units. Under paragraph 15, to obtain issuance approval the project implementer submits to the Ministry of Economic Development of the Russian Federation a request accompanied by the document specified in subparagraph (b) of paragraph 43 of the Registry Rules and the project-approval decision. For this category of projects, the Ministry therefore performs both functions in Principle 2(11)(a)(i) and (iii). The function in Principle 2(11)(a)(ii) falls outside its powers in all cases, because			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		authorization of the person carrying out conformity assessment and verification is performed by the national accreditation body.			
197.	Principle 2, Commentary 2.26	Revise commentary 2.26 as follows: The definition of a methodology makes it clear that it specifies the way how the amount of VCCs will be calculated through specification of the baseline and project emissions calculation, as well as which parameters are to be monitored. The methodology also includes an approach to assess the additionality of a proposed GHG mitigation project. As mentioned above, a methodology will usually be developed, or at least approved, by a CCP. The term 'applicable methodology' is also defined as the methodology that applies to the GHG mitigation project as a result of which the achievement of the mitigation outcome represented by the VCC occurs. In relation to a particular VCC (or VCCs) the verification process relates to the 'applicable methodology'.	Mr Axel Michaelowa	Institute of Political Science, University of Zurich Perspectives Climate Group	Switzerland
198.	Principle 2, Commentary 2.37 and Principle 12	Commentary 2.37 defines voluntary cancellation as resulting from an instruction by the registered holder or an authorized user and therefore as dependent on that person's will. Principle 12(1) requires the registry, upon such an instruction, to cancel the VCC promptly, while Principle 12(2) provides that cancellation takes effect when the relevant entry is made in the registry. Abandonment of a subjective right Russian law has no general doctrine under which abandonment of a right terminates the object itself. In any event, abandonment of a right would not be an adequate model for a VCC, because the function of the unit is to be	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		used to make a claim concerning a mitigation outcome or to cease to exist, rather than simply to cease to belong to a particular person. Russian law does contain an institution built on the same model as Principle 12: Article 1399 of the Civil Code provides for early termination of a patent at the request of the patent holder filed with the Federal Service for Intellectual Property (Rospatent). The right holder's declaration of intention, combined with an act of the authority maintaining the register, terminates the object of the exclusive right prospectively. The existence of this mechanism confirms that the concept is not foreign to Russian law, but it is available only where legislation expressly provides for it. There is no general rule allowing a right holder unilaterally to terminate the object of the right. Federal Law No. 296-FZ of 2 July 2021 provides for retirement of carbon units by recording them in an account for units withdrawn from circulation, which is the functional equivalent of the mechanism in Principle 8. The legislation contains no separate institution of voluntary cancellation unrelated to retirement. Accordingly, the owner of a carbon unit cannot cause it to cease to exist except by retiring it. Under this legal framework, the purpose for which voluntary cancellation may be used according to Commentary 12.1 – transfer of a unit to another registry followed by creation of a new unit under the rules of another crediting body – cannot be achieved.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Authority Commentary 2.37 contemplates that an instruction for voluntary cancellation may be given by a registered holder that does not itself hold a proprietary right in the unit and acts as representative or under another similar legal arrangement. Under Russian law, such an act constitutes a disposition of another person's property that results in the property's extinction. Authority to take such an action is not encompassed by general authority to operate an account and must be conferred specifically. The draft does not say so, although it regulates in detail other mechanisms that result in the extinction of a VCC (for example, Principle 10(3), which identifies the persons authorized to cancel a VCC for revocation). Effect on third-party rights A VCC may be subject to a security right or maintained by a custodian for a client. The draft protects the relevant parties indirectly: through Principle 15(2)(d)(i), which relieves the registry operator of the duty to comply with an instruction where an agreement with a third party prevents it from doing so, and through a control agreement under Principle 22, which can block compliance with instructions from the grantor of the security right. The draft contains no express rule that voluntary cancellation is prohibited where a security right exists unless the secured creditor consents; instead, it relies on contractual arrangements.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Under Russian law, a pledgor may not dispose of pledged property without the pledgee's consent unless otherwise provided by law or contract (Article 346(2) of the Civil Code). If that restriction is breached, the pledge generally continues by virtue of the principle that the security follows the asset and is extinguished only in favour of an acquirer who neither knew nor ought to have known of the encumbrance (Article 353 and Article 352(1)(2) of the Civil Code). The difficulty, however, is that this mechanism cannot operate at all in the case of retirement or voluntary cancellation: the collateral is not transferred to another person but ceases to exist, and the pledge therefore ceases with it. The secured creditor loses its security irrespective of anyone's good faith, while its claim against the pledgor remains merely personal. The draft's reliance on contractual protection (Commentary 12.3) is ineffective in this situation: a contractual restriction does not prevent the registry operator from carrying out an instruction from a holder where the operator was unaware of that restriction. Russian law already has a mechanism capable of avoiding this result. Under Article 358.16 of the Civil Code, a pledge over an uncertificated security arises when the pledge is recorded in the relevant securities account or personal account, while the recording of the encumbrance, blocking of transactions, and execution of the pledgee's instructions are governed by Bank of Russia regulations on depository record-keeping. This model does not require a separate account and operates within the owner's existing account, which is consistent with the design of the carbon unit registry.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
199.	Principle 3	Principle 3 and related commentary treat VCCs primarily as private-law intangible assets. Under Colombian law, environmental attributes and mitigation outcomes are not exclusively private assets and may be subject to public-law controls, environmental governance obligations and sovereign accounting requirements. A clarifying comment is recommended.	Government of Colombia	Álvaro Revelo Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
200.	Principle 3	It would be important, in our view, to include a general principle concerning the consistency with the UNFCCC and the Paris Agreement (<i>"These principles shall be interpreted and applied consistently with the United Nations Framework Convention on Climate Change and the Paris Agreement..."</i>).	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
201.	Principle 3	Clarify how the legal owner of a VCC is determined, and whether, and how, VCCs may be co-owned.	Government of Pakistan	Saima Saleh, Section Officer (Carbon Markets) Ministry of Climate Change & Environmental Coordination	Pakistan
202.	Principle 3 (General Principles)	(1) A VCC can be the subject of proprietary rights. It might be recommendable to add "of proprietary rights and intellectual rights". When creating a VCC during all the stages of it, then any new know-how or techniques could be included and entitled to be protected.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		(3) Principles law takes precedence over other law to the extent that they conflict. Perhaps some considerations about precedence as the international public order (other law) may be done.			
203.	Principle 3	Functional approach Principle 3(1) provides that a VCC can be the subject of proprietary rights. Principle 3(2) defines those rights as including both proprietary interests and rights with proprietary effects. Commentary 3.1 emphasizes the functional nature of the concept: it encompasses rights and interests that can be asserted against third parties, is not limited to rights equivalent or analogous to ownership, and includes more limited rights such as security rights. Commentary 3.2 explains why a VCC is capable of being the subject of such rights by reference to four attributes: individuation (often described as the principle of specificity in property law), controllability, rivalrousness, and transferability. We support this functional approach. It accommodates legal systems with different structures of proprietary rights and does not prejudge the classification of a VCC under national law, as Commentary 3.4 expressly confirms. The problem of the object of proprietary rights In the Russian Federation, only tangible things can be the objects of rights in rem. The list of rights in rem is closed and is set out in Article 216 of the Civil Code; the parties cannot extend it by agreement. A VCC is not a tangible thing: it falls within the category of other property for the purposes	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		of Article 128 of the Civil Code and, according to the prevailing doctrinal view, constitutes a property right. A similar structure is found in legal systems of the Germanic tradition and in systems influenced by it, although their number is limited. In most legal systems, proprietary rights enforceable against third parties are not confined to corporeal objects but extend to res incorporales, so the difficulty described below does not arise. The practical consequence is that the first limb of the definition in Principle 3(2) — proprietary interests — is incapable of applying to VCCs in legal systems of this type. This is not an objection to Principle 3(1) itself, because its functional concept is broad enough to encompass the intended result. It does mean, however, that implementation depends entirely on the second limb — rights with proprietary effects. Russian legislation has no general category of rights with proprietary effects outside the closed category of rights in rem. Legal scholarship recognizes the absolute character of certain property rights, for example a lease registered in the real estate register, but that characterization does not invariably entail automatic application of the remedies available for rights in rem. In practical terms, recognizing a VCC as having an absolute character would not by itself provide for recovery from an unauthorized holder, protection of an innocent acquirer, or effectiveness against third parties in insolvency and enforcement proceedings. Each of those consequences requires a separate legislative basis.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		For legal systems of this kind, Principle 3 would therefore amount to a declaration of principle whose implementation depends entirely on further legislative choices. A model for addressing the object-of-proprietary rights problem Russian law has already addressed the same problem in relation to uncertificated securities, which are not tangible things. The solution was not to expand the concept of rights in rem, but to establish a parallel body of rules reproducing proprietary effects for rights recorded in registries. That mechanism includes rules under which rights pass when the relevant entry is made in the acquirer's account (Article 149.2 of the Civil Code) and rules allowing improperly debited securities to be recovered, subject to limitations protecting a good-faith acquirer (Article 149.3 of the Civil Code). The same technique is used in other contexts: separate rules govern the transfer and restoration of corporate control in relation to participation interests in limited liability companies. The result required by Principle 3 can therefore be achieved in Russian law, but only through parallel regulation: the legislation on greenhouse-gas emission limitation would need expressly to reproduce the relevant proprietary effects for VCCs, including rules on when the right passes, recovery following an unauthorized debit, the limits of protection for an innocent acquirer, third-party effectiveness of security rights, and the treatment of the right in insolvency proceedings.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Importantly, this approach would not require restructuring the system of rights in rem or amending Article 216 of the Civil Code. It is also consistent with the draft's own functional approach, which, as Commentary 3.4 notes, leaves each State to determine how a VCC is to be classified within its own taxonomy of property.			
204.	Principle 3 (Proprietary Rights)	Principle 3 establishes that proprietary rights include interests and rights capable of being asserted against third parties; it is not confined to full ownership and can include more limited rights such as security rights. The draft thus identifies four characteristics of a VCC: it is individuated, controllable, rivalrous and transferable. Individuation arises from the unique identifier attached to the VCC; control arises through the registry account; rivalrous means that if one person controls or uses the VCC, another cannot simultaneously do so; and transfer is accomplished through movement between registry accounts. The reasoning, when examined through the lens of property law, illustrates how the draft reconciles the intangible nature of a VCC with characteristics essential to its role as an asset. The analogy is similar to UNIDROIT's previous work on Digital Assets and Private Law Principles. The VCC is not the underlying environmental outcome. The draft expressly states that a VCC represents a verified fact that a reduction or avoidance of green-house gas emissions has occurred successfully. The mitigation outcome therefore exists conceptually before the VCC is created. The VCC is the legal and market unit that represents that verified achievement. Thus, a VCC does not come into existence merely because an environmental benefit has occurred, it	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		exists when the relevant unit is entered into a VCC registry. The proprietary right is consequently a right in the VCC, not a proprietary right in the tonnes of greenhouse gases removed from the atmosphere, in the climate benefit, or necessarily in the land or project from which the mitigation outcome originated. That distinction is fundamental because otherwise the recognition of property in a VCC could inadvertently be interpreted as recognition of property in the underlying environmental resource. Thus, there are five stages: • First, there is the physical environmental activity: the sequestration or reduction of greenhouse gases. • Second, there is the verified mitigation outcome: the scientifically and methodologically determined fact that a particular mitigation result has been achieved. • Third, there is the VCC: the uniquely identified intangible unit representing that verified outcome. • Fourth, there may be contractual rights between the project developer, landowner, investor, intermediary, crediting body and purchaser. • Fifth, there may be public-law rights and obligations arising under environmental, forestry, land, tax, carbon-market or climate legislation. The proprietary right contemplated under Principle 3. This should therefore be understood as attaching specifically to the VCC as an individuated intangible asset, rather than extending automatically to the underlying mitigation outcome as well. The underlying project and environmental outcome were merely the factual basis on which the VCC was			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		created, and are legally distinct from the VCC itself. This distinction is important because when the draft adopts a broad concept of proprietary rights, the concept no longer remains confined to the ownership of the VCC but begins to include interests such as security rights. Consequently, the mere fact that a person holds or controls a VCC should not mean as conferring every proprietary, contractual or public-law entitlement connected with it. The draft leaves the precise nature and acquisition of proprietary rights to “other law,” while separately excluding contractual, regulatory and tax questions from the scope of its proprietary conflict-of-laws framework. The concern thus remains that Principle 3’s broad conception of proprietary rights makes an explicit distinction necessary between rights in the VCC itself and rights arising from, represented by, or otherwise connected to the underlying mitigation outcome. Without such clarification, there is a risk that proprietary rights in the VCC could be interpreted, particularly across jurisdictions, as carrying with them rights over the environmental benefit, underlying project, contractual claims or regulatory benefits that the VCC merely represents or facilitates. Guidelines published should bring clarity on ownership, transfer and cross-border effects. This should be particularly centred upon the choice of law as to the property in VCC and its transaction is much needed to avoid a conflict of laws. This is engaged in some way by the UNIDROIT model draft by providing a Lex Registri based approach. Key References. Ben McQuhae & Co, 'The Legal Nature of Carbon Credits' (2023) <https://bmcquhae.com/2023/03/15/the-legal-nature-of-carbon-credits/> accessed 8 September 2026; Morrison &			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>Foerster LLP, The Lifecycle of a Voluntary Carbon Credit</i>, https://www.mofo.com/resources/insights/220826-lifecycle-of-a-voluntary-carbon-credit; Swarup Mukherjee, <i>Carbon Credits as Property in India: Legal Status, Ownership, and Enforcement Under Emerging Climate Regulation</i>, 11 INT’L J. INNOVATIVE RES. COMPUTATION & TECH., no. 6, at 1–16 (2025), https://doi.org/10.62970/IJIRCT.v11.i6.2512007. (<i>IJIRCT</i>); <i>The Land Report, How Can Landowners Make Money from Carbon Credits?</i>, https://landreport.com/how-can-landowners-make-money-from-carbon-credits; <i>Coalition for Rainforest Nations, Internationally Transferable Mitigation Outcomes</i>, https://www.rainforestcoalition.org/internationally-transferable-mitigation-outcomes/			
205.	Principle 3	Registry control is not necessarily ownership. Finally, registration cannot be equated with substantive ownership. The registry does provide individuation and control but custody arrangements under the draft allow the VCC to be held for a client who possesses the proprietary right. Accordingly, the consultation should consider an express “non-conflation” clarification: proprietary rights in a VCC should attach to the individuated intangible VCC itself and should not, without a separate legal basis, extend to the underlying mitigation outcome, land, project, environmental attribute, contractual rights or public-law benefits associated with it. This would reduce divergent characterisations across various jurisdictions and also preserve the proprietary status of VCCs. Recommendation.	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		2. Insert an Explanation to Principle 3(2) as under: "A proprietary right in a VCC is a proprietary right in the VCC as an individuated intangible asset and does not, by virtue of the VCC being the subject of such right, confer any proprietary, contractual or public-law right in or to the underlying mitigation outcome, the relevant GHG mitigation project, land, natural resources, environmental attributes, or any regulatory benefit or entitlement associated with that mitigation outcome." 3. Insert an Explanation to Principle 3(4) as under: "The representation of a verified mitigation outcome by a VCC shall not be construed, solely by reason of the VCC's proprietary status, as a transfer, assignment or creation of any right in the underlying mitigation outcome or in any legal relationship from which that outcome arises."			
206.	Principle 3	Under Principle 3, the central issue is that a VCC is treated as an individuated, controllable and transferable intangible asset, with registry control forming an important basis for determining proprietary rights. This makes the integrity of the digital record itself critical to the reliability of ownership and transfer. A registry based on distributed-ledger technology could create an immutable audit trail, reduce errors and make the chain easier to verify. However, it is equally possible for an incorrect or fraudulent entry, or flawed algorithm to become immutable. UNIDROIT's Digital Assets Principles recognise the same. Recommendation. Accordingly, the VCC framework should consider AI-assisted anomaly detection, automated due-	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		diligence checks and cryptographically verifiable transaction histories, while retaining meaningful human oversight for disputed or high-risk transfers. This would strengthen transactional certainty without making technology itself determinative of ownership.			
207.	Principle 3	We support this principle that a VCC can be subject to proprietary rights, treating therefore a VCC as a distinct legal asset capable of being owned, transferred and encumbered.	TotalEnergies SE	Mr Cyril Vock Head of Low Carbon Regulatory Affairs and Advocacy, Direction Juridique, Exploration & Production Branch	France
208.	Principle 3(1)-(2)	The Draft does not expressly address relationships between VCCs and bundled environmental attributes. It would be useful to clarify whether proprietary rights in VCCs extend solely to the carbon-related attribute represented by the unit, or whether national law may separately regulate biodiversity credits, water credits, ecosystem services, or other environmental claims associated with the same activity. This clarification would become increasingly important as integrated environmental markets develop.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
209.	Principle 3(1)	Consider writing “A VCC <i>is</i> the subject of proprietary rights...” (not “can be”). The wording may be linked to the definition of “retirement” (“process by which a VCC ceases to be capable of being the subject of a proprietary right”, but it would be better to follow existing definitions for “retirement”, e.g., from the VCS: “permanent removal of a [VCC] from circulation in the [registry]” than create novel legal ground by defining proprietary loss <i>erga omnes</i> . In any	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		case, the Principles should avoid adding ambiguity to whether or when a VCC is subject to proprietary rights or not.			
210.	Principle 3(1) and Commentary to Principle 3 (Consequences of the current formulation)	Without the clarification described in the immediately preceding comment, the current formulation risks two adverse consequences. First, it may prolong confusion in the market, because a rule that an asset is capable of being owned, without a rule as to what kind of asset it is, does not answer the questions that transaction parties, lenders, custodians and insolvency practitioners actually ask. Second, certain jurisdictions may adopt implementing rules classifying VCCs as sui generis instruments, licences, bundles of contractual rights, securities or other product types, with adverse consequences for market development and crossborder consistency, including divergent perfection and priority regimes and divergent insolvency outcomes. Comparative experience with EU emissions trading system allowances, where Member States adopted differing classifications ranging from property to administrative rights to mixed regimes, illustrates that fragmentation risk. These comments therefore recommend that the Commentary state expressly that nothing in the Principles is inconsistent with the characterization of a VCC under the law of an implementing State as an intangible non-financial commodity capable of physical delivery.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	United States of America
211.	Principle 3(3) (Precedence of Principles law over domestic law)	Principle 3(3) provides that Principles law prevails over other law to the extent of any inconsistency. It is suggested to clarify that the incorporation and application of the principles must respect the hierarchy of norms, the allocation of powers among competent authorities, and matters which,	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		under the constitutional order of each State, are subject to statutory reservation or specific regulatory procedures. Such clarification would help avoid an interpretation of Principle 3(3) as establishing general precedence over domestic rules of superior rank or mandatory character.		Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
212.	Principle 3(3)	Precedence: It seems problematic for a soft law instrument to claim precedence over “other” (national) law. Is this claim needed given the objective of the Principles to provide guidance? Then, if legal or at least conceptual precedence is provided for, should this not be in favour of international law, namely the Paris Agreement ?	Government of Germany		Germany
213.	Principle 3(3)	We suggest clarifying that the relationship between these Principles and other domestic law should be determined by the implementing State, rather than implying that the Principles automatically take precedence over conflicting legislation.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
214.	Principle 3(4)	Other Law: While the list is not meant as exhaustive, it would be important to recognize a specific relationship linking mitigation activity and credits: “the rights and obligations as between a person holding rights in respect of the underlying carbon mitigation project or mitigation outcome and a person holding a proprietary right in a VCC relating to that project or outcome.” Furthermore, in the context of P4 (see below), consider adding: “Which (other) law applies shall be a matter of private international law, which these Principles do not determine.”	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
215.	Principle 3(4)	Consider including a reference to the relationship between a person or group provided rights under relevant safeguards provisions and the person holding a right in the VCC.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
216.	Principle 3(4)(a) and 3(4)(b); Commentary 3.3, 3.7 and 3.8. (This is the observation to which the respondent attaches the greatest importance)	Principle 3(4) leaves to other law the determination of whether a person has a proprietary right in a VCC and whether such a right has been validly transferred. Commentary 3.3 confirms that the Principles prescribe no specific requirements for the acquisition of a proprietary right. The Project understands and supports the underlying policy, which is to avoid displacing national private law frameworks and to enable the Principles to be fitted into existing law with minimal disruption. We wish, however, to draw the Working Group's attention to a difficulty that this approach produces in civil law systems. In systems which construct derivative acquisition through the concurrence of title and mode, the causal transaction justifies the transfer and a further act completes it. In relation to movable property that further act is delivery. Where the object has no corporeality there is nothing to deliver, and the mode is left without a factual substratum. In such systems, the referral to other law returns to the national legislature precisely the question which led it to consult the Principles. The suggestion which follows respects the declared scope of the Principles, and the reconstruction it proposes is put	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		forward as a proposal of the Project and not as a necessary consequence of the Principles. We suggest instead that the Commentary to Principle 6 offer guidance as to whether the crediting of a VCC to a registry account is intended to perform, in functional terms, the role that delivery performs in relation to movable property. Guidance of that kind would fall squarely within the stated purpose of assisting jurisdictions in adapting existing law, and would materially increase the usefulness of the instrument in civil law systems. There is precedent for guidance of this nature, and in both cases, it comes from title-and-mode systems. French Law No. 2024-537 of 13 June 2024, which introduced a regime for electronic transferable titles expressly including bills of exchange and promissory notes, provides in Article 15(V) that the transfer or pledge of the rights conferred by the title, whether by endorsement or by simple delivery, is effected through the transfer of exclusive control. The Argentine Draft Deregulation Bill of July 2026, in the provision replacing Article 304 of Navigation Law No. 20.094, provides that the transfer of an electronic or digital document is effected through the transfer of its exclusive control, producing the same legal effects as the delivery (<i>tradición</i>) of the document issued on paper, including the transfer of the right to dispose of the goods. The draft does not deem the electronic document to have been delivered, which would be a technique of fiction; it identifies a different fact and attributes to it the legal effects previously attached to delivery.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Both formulations show that guidance of the kind suggested is compatible with civil law systems and does not require the Principles to take a position on the nature of the asset.			
217.	Principle 3, Commentary 3.1	Better to add a clarifying sentence noting that these Principles do not take precedence over national law on how they classify assets or proprietary rights.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
218.	Principle 3(1), Commentary 3.2 (Support, with a suggestion for reinforcement)	The Project supports the reasoning of Commentary 3.2, which founds the capacity of a VCC to be the subject of proprietary rights on four attributes: individuation by means of a unique identifier, susceptibility to control, rivalrousness, and transferability by debit and credit of registry accounts. We suggest that the Commentary make explicit the convergence between that reasoning and the criteria adopted in other international instruments concerning assets susceptible of control, in particular Articles 10 and 11 of the UNCITRAL Model Law on Electronic Transferable Records, which require a reliable method to identify the record, to render it capable of being subject to control from creation until it ceases to have any effect, and to retain its integrity, and which treat control as the functional equivalent of possession. That requirement has a traceable genealogy which the Commentary might usefully invoke. As the study on holdership published by this Project records, the formulation according to which the record must remain subject to control "from its creation until it ceases to have any effect or validity" was expressly stated in the Rotterdam Rules and passed from there into the Model Laws, where control	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		operates not only as a condition of holdership but as an element of the definition of the record itself. Making that convergence explicit would reinforce the coherence of the body of international instruments dealing with assets susceptible of control and would assist national legislatures in receiving them consistently. It would also assist those States which have already legislated on electronic transferable records and are now considering the treatment of VCCs. A further and contemporaneous confirmation may be noted. The report on the control of digital assets published on 27 March 2026 by the UK Jurisdiction Taskforce holds that, for things capable of being possessed, the courts use possession as an intermediary concept between the legal rules of property and physical facts about real world objects, and that for digital assets that intermediary role is performed by control. That reasoning supports the attributes identified in Commentary 3.2 and, in particular, the decision to found the capacity of a VCC to be the subject of proprietary rights on control rather than on any characterisation of the asset itself.			
219.	Principle 3, Commentary 3.3	We think that UNIDROIT's approach, i.e. leaving whether a person has a proprietary right in a VCC up to "other law", undermines its stated objectives. As UNIDROIT itself recognizes in the introduction, carbon markets are becoming an increasingly important mechanism for transferring finance into initiatives combating climate change and for distributing benefits (Introduction paragraphs 1-6). As is well known, carbon markets retracted in 2023 and 2024 following reports of community abuse and lack of	Sustainable Development Strategies Group (SDSG)		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		transparency from CBs ³⁷ . While some CCPs were suspended or halted, much of this retraction came on the demand side – investors and companies became concerned about reputational risks and the efficacy of using carbon credits as a method to finance mitigation outcomes ³⁸ . In other words, separating the legal nature of a VCC from the question of where its proprietary right comes from leads UNIDROIT's principles to not address the source of historically major risks and barriers to the scaling up of carbon markets and support for market participation by private entities including project developers, investors and other providers of financing – all stated goals of UNIDROIT.			
D. Section II: Private International Law (Principle 4)					
220.	Principle 4 (Applicable law and mandatory host-country requirements)	The determination of the law applicable to the proprietary aspects of a VCC should be expressly distinguished from the law and regulatory framework governing the underlying mitigation activity and the status or permissible use of the resulting mitigation outcome. A choice-of-law rule applicable to proprietary rights should not enable parties to circumvent mandatory requirements of the host State concerning authorization, registration, safeguards, monitoring, reporting and verification, mitigation accounting, ownership,	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and	Colombia

³⁷ Patrick Greenfield, "Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows", The Guardian, January 18, 2023. <https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoc>; Stuart Stone, "Report: Carbon market purchases fall amid credit integrity concerns", BusinessGreen, May 31, 2024. <https://www.businessgreen.com/news/4266847/report-carbon-market-purchases-fall-amid-credit-integrity-concerns>.

³⁸ Alex Procton, 2025 State of the Voluntary Carbon Market, Forest Trends, May 29, 2025, pgs. 5-7. <https://www.forest-trends.org/publications/2025-state-of-the-voluntary-carbon-market/>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		benefit-sharing or permissible uses of mitigation outcomes. This is particularly relevant where carbon units are generated in one jurisdiction but subsequently transferred or traded under the law of another jurisdiction.		Sustainable Development	
221.	Principle 4	Principle 4 adopts a <i>lex registri</i> approach. A clarification should state that registry law cannot displace mandatory environmental law, climate-policy provisions, national MRV requirements or public-order provisions of the host State.	Government of Colombia	Álvaro Revelo Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
222.	Principle 4	General – It would be important to double-check the ramifications of this provision against the ongoing work of HCCH and the coordination between the bodies. For consideration: a placeholder provision (i.e., “These Principles shall not determine the law applicable to proprietary rights in VCCs. The applicable law shall be determined in accordance with relevant rules of private international law.”)	Government of Germany		Germany
223.	Principle 4	As explained above, we would encourage replacing this provision <i>in toto</i> with a holding provision given the complexity of identifying an appropriate connecting factor, the commercial realities of transnational trades and instances of securitization, and in light of the ongoing parallel work by HCCH. A potential wording could be: “ <i>The determination of the law applicable to the proprietary issues addressed by these</i> ”	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>Principles is reserved, pending further consideration of the relevant rules of private international law and developments in international work in this field."</i>			
224.	Principle 4	Pakistan agrees that the Principles should remain confined to matters of private law. This limited scope enhances compatibility with diverse legal systems. However, commentary should expressly clarify that the Principles neither create nor recognise proprietary rights independently of domestic law, but instead provide guidance for States choosing to recognise such rights through legislation or judicial development.	Government of Pakistan	Ministry of Law and Justice	Pakistan
225.	Principle 4	We suggest clarifying that the conflict of laws rules set out in this Principle apply only where the Principles have been incorporated into the domestic law of the relevant State. In jurisdictions that have not adopted the Principles, the applicable law will continue to be determined by the relevant domestic private law rules.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
226.	Principle 4	It is worth noting that while Principle 4 is of vital importance for cross-border VCC transactions, its current drafting lacks international consensus. This provision has been the subject of an exhaustive analysis by the HCCH Experts' Group on Carbon Markets. Currently, no agreement has been reached between the HCCH Experts' Group and the UNIDROIT Working Group on the law governing proprietary matters relating to VCC (lex registry) It is our understanding that conflict-of-law rules for VCC require additional, comprehensive, and inclusive multilateral	Government of Uruguay	Directorate of International Law Affairs Ministry of Foreign Affairs	Uruguay

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		consultations to prevent regulatory fragmentation and ensure consistency in private international law. For VCC mechanisms established by States (such as the centralized mechanism under Article 6.4 of the Paris Agreement), proprietary matters should be governed by the law chosen or the rules established by those States, thereby preventing private conflict-of-law rules from overriding sovereign intergovernmental frameworks. The relevance of continuous cooperation and coordination between UNIDROIT and the HCCH is highlighted, and we appreciate each effort carried on this regard			
227.	Principle 4 (Coordination with the HCCH Experts' Group on Carbon Markets)	We note with appreciation the sustained coordination between the Secretariats of UNIDROIT and the HCCH in respect of Principle 4. We respectfully observe that the text submitted to consultation corresponds substantially to the iteration prepared by the Working Group's private international law subgroup on 14 November 2025; that the HCCH Experts' Group on Carbon Markets recorded by consensus, at its third meeting on 2-4 December 2025, that it was not in a position at that juncture to support that text or its underlying policy approaches; and that the HCCH's Council on General Affairs and Policy (CGAP) noted in March 2026 (Conclusions & Decisions No 11) that there was at that time no alignment or agreement of views between the two Groups on the applicable law rule³⁹. We make no submission as to the merits of that disagreement. We do, however, respectfully suggest (i) that	American Association of Private International Law (ASADIP)		Americas

³⁹ Hague Conference on Private International Law (HCCH), *Conclusions & Decisions: Council on General Affairs and Policy (CGAP)*, 3-6 March 2026 (The Hague: HCCH, 2026), 2, <https://assets.hcch.net/docs/02477490-2f8a-47ff-b17c-fed725e6ff3b.pdf>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the Commentary to Section II record the state of inter-institutional coordination, as is customary where an instrument addresses matters falling within the specific mandate of another organisation, and (ii) that the Working Group weigh whether the long-term authority of the instrument in cross-border practice would benefit from convergence with the HCCH before adoption. We note in this regard that the Working Group has indicated that additional time could be made available, and that the UNIDROIT Governing Council will meet exceptionally at the end of 2026.			
228.	Principle 4 (The instrument aims to provide protection for property rights in VCC. The question is whether it ensures or really provides a protection for or to properties rights?)	The instrument and the principle represent diverse legal systems (civil law and common law), and seem to acknowledge the difference in application -carbons credits as property rights, but also acknowledgements of another jurisdictions in which it is not considered as such, but as contractual nature-. Therefore, from the very beginning it's stated clearly that the Principles, and specifically Principle 4 concerns exclusively matters of private law, and within that sphere focuses on proprietary rights. It does not concern other questions, such as contractual law, tort law or regulatory law questions. (4.3) As a consequence, in different jurisdictions, the instrument provides a definition^[1] of property rights indicating that <i>"an asset is not merely a right against a specific counterparty; it is a right in rem, a right that binds the world. It follows that the creation of a new category of proprietary right imposes obligations on every person, including those who never consented to the arrangement. For this reason, every developed legal system limits the categories of proprietary right that may exist to those recognised by law (the numerus</i>	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>clausus_principle</i>). In civil law jurisdictions, this principle is typically expressed through the enumeration in the civil code of a closed list of property rights. In common law jurisdictions, the same result is achieved through judicial refusal to recognise novel proprietary forms that fall outside the established categories.”.^[2] It follows that the instrument has covered the entire lifecycle (creation, transfer, retirement, reversal and revocation) of VCCs, its carried on-chain, the applicable law governs issues in consistency with Principle 3(4), which provides that the substantive Principles may cover issues that fall under ‘other law’. Secondly, as Commentary 2.32 highlights, ‘Principles law’ as defined by Principle 2(20) refers to all the rules in the Principles once they have become part of a State’s law, whether by express implementation, or because that State’s law is already consistent with them. The instrument further accepted the invitation of the party which has not recognised the property law perspective to recognise the jurisdiction of the property regime to entertain the property right framework, but also in respect of secured transactions dealing with third parties or persons entitled through them. The Working Group considered whether it is desirable to allow a token to embody proprietary rights in a VCC, to serve as the instrument by which those rights are transferred, and to serve potentially as the instrument by which the underlying VCC is retired or otherwise cancelled. This question has significant implications for registry integrity, market transparency, environmental accounting, and the coherence of the cancellation framework under Principles 8 to 11.^[3] Under these circumstances, the consequence is that			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		transactions or issues regarding VCCs that are not considered as property rights may not be covered by the legal framework of the instruments and thus, the final framework will be decided by tribunals or judicial bodies. [1] UNIDROIT 2026 – LXXXVI – W.G.8 – Doc. 6 MEMORANDUM ON THE SCOPE AND DIRECTION OF THE TOKENISATION ANNEXE [2] Op cite. Paragh 12 [3] Op cit., UNIDROIT 2026 – LXXXVI – W.G.8 – Doc. 6			
229.	Principle 4 (Characterization and the operation of the rule)	Principle 4 designates the law governing “proprietary matters”. In several legal systems characterization is, however, primarily determined by the lex fori. Given the breadth of Principle 3(1) and the express deference of Principle 3(4)(a) to other law, a court may conclude that the issue before it is not a proprietary issue at all, particularly where the applicable registry terms of use define the holder’s entitlement in contractual terms and contain a choice-of-law clause. In that event Principle 4 would simply not be engaged, and the outcome would be determined by the forum’s conflict rules on contracts. We respectfully suggest that the Commentary address this expressly and explain how the Working Group envisages Principle 4 operating where the forum characterizes the issue otherwise than as proprietary. Without such guidance, the uniformity that Section II seeks may prove more apparent than real.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
230.	Principle 4	1. In our paper,⁴⁰ “Foundations for the Carbon Market; Legal clarity, accounting, and other drivers for market scale”, we shared the view that: • In relation to transaction proprietary issues, existing principles of private international law afford ample flexibility. We had identified a few challenges that arise from an assumption that the law of the VCC registry (lex registri) should be the applicable law applying lex situs principles. • In relation to which law should apply to VCC generating activities, a multi-lateral framework would better serve as a longer term and comprehensive way to align States. 2. It is not presently clear if the law of the States of larger registries such as Verra and Gold Standard would recognise VCCs as property. Further, the current terms of these registries do not certify title or security interest over VCCs. We acknowledge that the major registries may change their position in the future. If so, existing principles of private international law would already then point to the law of the place of the registry as being most appropriate. The private law concepts in the Principles are therefore sufficiently substantive and self-contained. Focusing on private law may likely speed adoption of the Principles, thereby achieving the legal harmonisation the Principles are striving for.	GenZero	Ms Sim Ting Head, Corporate Services Group and General Counsel	Singapore

⁴⁰ Jointly authored with Eng and Co. LLC, and PwC Singapore, in collaboration with the Singapore Sustainable Finance Association.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
231.	Principle 4	Relationship with Principle 3 Principle 4(1) identifies the matters falling within the proprietary aspects of the Principles: creation of a VCC as an asset capable of being the subject of proprietary rights; retirement and cancellation; whether a person has a proprietary right and the content of that right; the conditions and consequences of transfer; and the requirements for innocent acquisition and take-free rules. We note that this list has significance beyond conflict-of-laws analysis. For a State whose law does not extend a proprietary regime to intangible assets, it provides a list of matters that must be addressed by specific legislation on implementation. Substantively, it corresponds to the set of rules discussed in our comment on Principle 3 above. It is significant that Russian law specifically regulates every one of these elements for uncertificated securities. This confirms both the practical feasibility of the parallel-regulation model proposed in the preceding comment and the scale of the legislative work required. Characterization of foreign-law concepts Principle 4(1)(c) assigns to the applicable law the questions whether a person has a proprietary right and what the content of that right is. Commentary 4.8 explains that the content of such rights may differ between jurisdictions and that recourse to local law ensures consistency with the legal tradition of the relevant State. Commentary 4.41 states that the expression 'proprietary rights' encompasses ownership, limited proprietary rights, and equitable ownership.	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The last category creates a significant practical difficulty. Where the applicable law recognizes a split title, a court in another State may have to characterize a legal arrangement for which its own system has no counterpart. Russian law does not recognize trust ownership: under Article 1012(1) of the Civil Code, transfer of property into fiduciary management does not transfer ownership to the fiduciary manager. Russian practice has not developed a settled basis for recognizing a beneficiary's interest as an independent proprietary right enforceable against third parties. This difficulty is particularly important for the present Principles because several provisions expressly contemplate split-title arrangements. Commentary 5.4 treats both models of the custodian-client relationship as possible; Commentaries 8.4 and 12.2 state that, in common-law systems, custodians are likely to hold VCCs on trust; and Commentary 17.1 notes that the custodian-client relationship is characterized as a trust in some jurisdictions and as contractual in others. In cross-border custody, therefore, the questions who holds the VCC and whether it is protected from the custodian's creditors may have to be resolved by a court whose legal system lacks the category through which the applicable law achieves that result. Principle 19(2), which states the insolvency consequence functionally rather than in terms of property or ownership, partly alleviates the problem, but only in insolvency. No equivalent functional formulation is provided for other issues. Registries established by legislation			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Principle 4(9) provides that, where a mechanism for creating VCCs is established by States, the applicable law is the law chosen, or the rules established, by those States. Commentary 4.49 explains that this rule is directed primarily at the Paris Agreement Crediting Mechanism and notes that a number of States have established, or announced plans to establish, national registries operated by public authorities. The wording does not cover a registry established by legislation but operated by a legal person authorized by the government. The Russian carbon unit registry has precisely that structure: under Article 10(1) of Federal Law No. 296-FZ of 2 July 2021, it is established and maintained by an operator in accordance with a procedure prescribed by the Government of the Russian Federation, and that procedure is set out in the Rules approved by Government Resolution No. 790 dated 30 April 2022. For registries of this kind, the mechanism in Principles 4(3)-(5) is substantively inapposite: the rules governing issuance, transfer, and retirement of VCCs are mandatory, and a choice of law by the operator could not alter consequences prescribed by legislation. Limits of Principle 4(8) Principle 4(8) refers broadly to proprietary rights in a VCC held by a custodian, without specifying that it addresses rights arising within the custody relationship rather than the proprietary status of the VCC itself. On a literal reading, the rule could extend to matters that Principle 4(1)(a) and (b) assigns to the law of the registry —			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		creation of the VCC as an asset capable of being the subject of proprietary rights, and its retirement and cancellation. That reading would be inconsistent with the intended scope. Commentary 4.48 expressly limits the rule to VCCs held in custody and excludes the acquisition of VCCs by an investor, or by a custodian on an investor's behalf, as well as a sale of VCCs to another investor holding an account with a different custodian. The market structure confirms the practical importance of this distinction. A significant proportion of units are retired directly by VCC holders or by project proponents against their own obligations; there is no custody layer in those cases, and only the law of the registry applies. By contrast, where an intermediary acquires VCCs from several projects for an ultimate purchaser, including by maintaining them in an undivided pool, Principle 4(8) applies. Without an express limitation on its scope, conflating these situations creates a risk that matters unrelated to custody will be subjected to the law governing the custody agreement. Choice of law by the custodian and the VCC owner Principles 19(1) and 19(2) determine whether VCCs maintained by a custodian for a client are unavailable to the custodian's creditors and whether they form part of the custodian's assets available for distribution. Principle 4(8) subjects those matters to the law chosen in the agreement between the custodian and the client. The composition of the pool of assets available to the custodian's creditors is therefore determined by an agreement to which those creditors are not parties. Principle			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		4(2)(d) excludes the substantive and procedural aspects of insolvency proceedings from the applicable law, but expressly leaves to that law the existence of proprietary and security rights in VCCs in such proceedings — which is precisely the issue that determines the result. The choice of law is bilateral, yet its practical effects are borne by creditors of one party who can neither influence the choice nor necessarily know that it has been made. This is significant for Russian law. Under Article 131 of the Federal Law 'On Insolvency (Bankruptcy)', the insolvency estate comprises all property of the debtor, and exclusions are permitted only where legislation expressly provides for them. Russian law does not permit the composition of the estate to be determined by agreement between private parties. Applicable law when a VCC moves to another registry Principle 15(6) describes two models for moving VCCs between registries. Under Principle 15(6)(a), where a VCC is moved to an account in another registry but continues to be governed by the same registry rules and the same CB rules that have governed it since creation, the VCC continues to exist. Under Principle 15(6)(b), where the VCC is removed by voluntary cancellation and ceases to be governed by the former rules, it ceases to exist and a new VCC is created when it is credited to an account in the second registry. Principle 4 contains no conflict-of-laws rule corresponding to these two models. For the model in Principle 15(6)(b), the result can be inferred: the original VCC ceases to exist, a new VCC is			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		created in another registry, and the applicable law must be determined afresh under Principle 4(3) or 4(5) by reference to the operator of the second registry. For the model in Principle 15(6)(a), there is no answer. The VCC continues to exist but is recorded in a registry operated by a different operator, while Principle 4(3) ties the applicable law specifically to the registry operator. Principle 4(6) provides that the applicable law does not change upon a change in the factors listed in Principle 4(3)(a)-(d), but a change of the operator itself is not one of those factors. Commentary 4.43 considers the converse situation — transfer of the registry to a different operator while the VCC remains in the registry — but not movement of the VCC to another registry while both operators continue to exist. Where a VCC is moved to another registry under the model in Principle 15(6)(b), it is subject to fresh verification by another VVB and approval by a new CB (Commentary 15.22). If overissuance relating to the original mitigation outcome is subsequently demonstrated, the draft leaves several questions unresolved: which CB is authorized to respond; whether Principle 11 applies to the newly created VCC where the deficiency relates to the time when the original VCC was created; and whether the time period under the alternative model in Commentaries 11.13-11.15 runs from creation of the original or the new VCC. Choice of applicable law by the VCC holder Commentary 4.43 assumes a binary choice: the holder either consents to the change in applicable law or retains the former law. It does not contemplate a third option — ending			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the relationship with the registry by disposing of or retiring the holder's VCCs. Yet such an option would address the difficulty from both sides. A holder unwilling to become subject to the law associated with the new operator would have an exit route that did not require the incoming operator to bear the cost of maintaining parallel arrangements. The incoming operator, in turn, would have greater certainty as to the scope of the obligations it assumes when the registry is transferred. The draft contains no corresponding mechanism. Principle 15(2)(d) requires the operator to comply with instructions from the registered holder, including instructions to move or retire VCCs, but does not connect that duty with a transfer of the registry or establish a period during which the holder must be given an opportunity to exit before the applicable law changes. Principle 15(6) regulates movement of a VCC to another registry, but, as noted above, no conflict-of-laws rule is provided for such movement, and the model in Principle 15(6)(b) involves cancellation and re-creation of the VCC, with a consequent loss of traceability. The draft therefore protects the holder through obligations imposed on the incoming operator, while overlooking a less burdensome solution: allowing the holder a defined period in which to dispose of or retire the VCCs, after which the law associated with the new operator would apply.			
232.	Principle 4	The VCC Principles expressly recognise that VCCs can be the subject of proprietary rights. The VCC framework links proprietary status to an institutional registry and the legal	Dr Le Xuan Tung, Principal Researcher	International Law Division, Institute for	Vietnam

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Lex Registri as a primary choice of law)	consequences attached to entries within that registry. Under Principle 4 of the VCC Principles, <i>lex registri</i> (the law of the registry) is established as the primary conflict-of-laws rule governing proprietary matters in carbon credits. Because VCCs are intangible assets without a physical <i>lex situs</i>, the International Institute for the Unification of Private Law (UNIDROIT) evaluated alternative connecting factors and explicitly rejected the application of the law of the host country where the mitigation project is located. Applying the law of the host country would undermine unit fungibility, fragment secondary markets into illiquid national silos, and impose prohibitive transaction costs on global cross-border trading. Instead, because every VCC must be credited to an account in a VCC registry to come into legal existence and to be transferred, the registry functions as the indispensable linchpin of secondary trading. This makes <i>lex registri</i> the most closely connected, foreseeable, and commercially practical choice-of-law standard.	Ms Nguyen Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any other organisation or authority</i>	Legal Strategy and Science, Vietnam	
233.	Principle 4 (Party autonomy)	Principle 4 of the VCC Principles strictly restricts the registry operator's choice of law, whether designated in general registry rules or account agreements, to four objective jurisdictions with a genuine connection to the operator: the State of incorporation, the statutory seat, the central place of administration, or the State from which the registry is actively maintained. In the absence of an express choice of law, the applicable law defaults predictably to the law of the State where the registry operator has its statutory seat or central place of administration at the time of creation. It could be argued that unconstrained party autonomy lacks justification in property law, as may be seen in the DAPL	Dr Le Xuan Tung, Principal Researcher Ms Nguyen Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any</i>	International Law Division, Institute for Legal Strategy and Science, Vietnam	Vietnam

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Principles, has minimal practical application in permissionless networks, and that defaulting to the substantive law of the forum (<i>lex fori</i>) at the bottom of a multi-tiered waterfall risks encouraging opportunistic forum shopping. Principle 4 of the VCC Principles addresses these concerns because VCC carbon markets operate through permissioned, operator-managed registries where an identifiable operating authority can explicitly designate the governing law in the account terms. By strictly limiting party autonomy to jurisdictions with a genuine organisational nexus and replacing unpredictable <i>lex fori</i> fallbacks with an objective statutory-seat rule, Principle 4 helps prevent law shopping, ensures third-party notice, and provides the conflict-of-laws predictability required for cross-border transactions.	<i>other organisation or authority</i>		
234.	Principle 4 (Changing the Applicable Law)	Commentary 4.27 provides that the choice of law contained in the VCC registry's general rules is binding on the registry operator and all account holders. The bracketed sentence further clarifies that this applicable law may subsequently be changed only in accordance with the procedure under Principle 4(6), cited "[This law can only be changed subsequently by following the procedure set out in Principle 4(6).]" This is particularly relevant because the choice of law will generally be made unilaterally by the registry operator through its general rules or account agreement, with individual users having limited ability to negotiate. The bracketed sentence [...] should be retained to prevent the registry operator from unilaterally changing the applicable law in a way that affects existing proprietary rights. However, Principle 4(6) relies on the account holder's	Dr Le Xuan Tung, Principal Researcher Ms Nguyen Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any other organisation or authority</i>	International Law Division, Institute for Legal Strategy and Science, Vietnam	Vietnam

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		agreement to the change. The Draft should clarify that such “agreement” requires express and affirmative consent, rather than implied consent or mere continued participation in the registry. This would help ensure that a change of applicable law, particularly one capable of affecting existing proprietary rights, reflects genuine consent by the affected account holder.			
235.	Principle 4	I understand Principle 4 to address applicable law for proprietary rights in a VCC in cross-border contexts, including an appropriate degree of party autonomy consistent with the 2023 UNIDROIT Principles on Digital Assets and Private Law. I have no objection in principle to party autonomy as a conflicts-of-law tool. I recommend, however, that the commentary state expressly that party autonomy as to the law governing proprietary rights cannot, and is not intended to, determine the law governing a corresponding adjustment or a VCC’s eligibility for use toward a country’s nationally determined contribution — matters that remain governed by the Article 6 rulebook and by bilateral and multilateral agreements between States, on a public international law track the Draft Principles’ choice-of-law rule does not reach. In my own experience negotiating the Thailand–Switzerland Article 6.2 transaction referred to above, and more generally in advising on cross-border transactions, counterparties not infrequently assume, incorrectly, that a governing-law clause settles this. An express clarification would reduce that confusion.	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore
236.	Principle 4	We understand that the lex registri approach in Principle 4 is intended to address the concern or harm that parties will forum shop and thereby create uncertainty in the applicable	South Pole	Mary Gilmore-Maurer	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		law attached to the proprietary interest in Verified Carbon Credits (VCCs). The approach presented in the current draft of the Principles means that once “created” or issued into an account holders account, the law of the registry whether as the place of incorporation of the registry, statutory seat of the registry, central place of administration, or from where the registry is maintained would become the governing law. The applicable law remains the same regardless of any change in the factors set out at Principle 4(3)(a)-(d). This approach helps to mitigate the risk of governing law issues in relation to disputes over proprietary interests in carbon credits. It does not pertain (as the Draft Principles more broadly do not apply) to other contractual matters relating to carbon credit transactions, solely and specifically to the governing law relating to the proprietary rights in the VCC. Although we understand that this approach is consistent with Private International Law on such matters and, for the most part, the separate Principles on Digital Assets and Private Law (DAPL) also conducted by UNIDROIT, it makes more sense in a landscape where registry operators and platforms remain constant. However, increasingly we see that registry operators (whether as carbon standards or as a separate registry entity) are transferring their registry data to new platform and software providers. Examples, include the ACR, Verra (S&P), and Gold Standard (Trovio) registries. There is also consideration of meta registries that mirror the records of several registries at once. We would note that the largest VCC registries still operate as ledgers or records of transactions and do not in fact constitute the place of the transaction or provide any guarantee of title. Transactions occur outside the registries on approved exchanges or OTC,		Global Legal Director (Carbon Projects and Public Affairs)	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		after which transactions, including retirements are recorded in the relevant carbon registry. Subject to developments in carbon registry infrastructure and technology, in addition to initiatives to tokenization VCCs, the proposed approach may not in future address the harm it seeks to mitigate, since VCCs in different vintages or projects could still be subject to different governing law where, for example, there is a transfer to a new registry, which happens through a transfer of the data on one registry platform to a new registry platform at which point, or a relocation of the place of registration, central place of administration, or statutory seat, for example. Similarly, it does not address the issues of increased alignment with compliance based markets and national or compliance registries (like PACM) recording VCC transactions. One approach would be to require that all credits from a given project are subject to the governing law set out in the documents associated with the creation of the proprietary right, such as the Issuance Deed or applicable ERPA/offtake agreement. That would ensure that the governing law for credits issued to a particular project would remain constant for the lifecycle of the VCC. Some states may have a preference for the governing law of the proprietary rights in the VCCs to be aligned with the location of the project from which they were generated.			
237.	Principle 4	As indicated in our previous comments, GHG mitigation projects may give rise to complex legal questions arising from the interaction between the law applicable to the underlying mitigation project, including the rights and	Sustainable Development Strategies Group (SDSG)		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		interests of IPs and other relevant rights-holders, where applicable, and the law applicable to the VCC as an asset. As expressed above in Comments 4, 5, and 6 of this submission, UNIDROIT's distinction between 'principle law' and 'other law' fails to recognize and address many important issues concerning the underlying rights and laws relevant to the creation of VCCs. Should UNIDROIT maintain the present distinction, SDSG submits that it should integrate clear safeguards preventing the Principles from overriding existing rights and establishing that compliance with host state law, CB rules, and international law may have a material effect on the creation and validity of the VCC. As drafted, Principle 4(2)(a) and (b) exclude matters related to the carrying out of any underlying carbon mitigation project or to rights and interests in the land and natural resources, and the submission of a VCC for compliance, taxation or regulatory purposes, from proprietary matters referred to in Principle 4(1). SDSG submits that the Principles should expressly recognize the potential impact of these excluded matters on the valid creation of a VCC. This is particularly relevant for projects involving IPs and other relevant rights-holders, where host-State law and other applicable rules may determine <i>or</i> affect matters such as original title or entitlement to VCCs, statutory benefit-sharing rights and compliance with FPIC requirements⁴¹. The Principles and associated commentary should clarify that recording a VCC in a registry does not, by itself, cure non-			

⁴¹ On the non-compliance with FPIC requirements under the Host-State law: See, for example, fn 7, Osman & 164 others v Northern Rangelands Trust & 8 others [2025] KEELC 99 (KLR).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		compliance with the jurisdictional legal requirements applicable to the underlying project, which may affect the creation of a VCC. Explicit recognition of the relevance of underlying legal requirements is important to rebut the assumption that project developers and proponents own proprietary rights to carbon credits due solely to their issuance on registries. Such an assumption has, to date, been commonly held by market actors and is increasingly questioned, including by registries. Accordingly, the question of whether a holder of VCC can rightfully transfer credits based on this assumption is far from settled⁴². Paragraph A.5 of the Introduction to the VCC Principles states that "<i>clarity on the legal nature of the VCC under private law is fundamental to building a market-based model with adequate governance and legal certainty in private transactions</i>". It is important therefore that the Principles' proprietary rules cannot inadvertently be interpreted as overriding or determining pre-existing rights. As expressed earlier in this submission, private law and its contents cannot be considered in a vacuum with no relationship to other sources of law, both domestic and international. As drafted, the Principles promote ambiguity as to this matter, rather than clarity. <u>Under Principle 4(2)</u>, the Principles should add that in projects involving IPs and rights-holders, matters falling			

⁴² This has been recognized by Verra in their own proposal to update their VCS standard in 2025: Verra, "PUBLIC CONSULTATION ON VERSION 5 OF THE VERIFIED CARBON STANDARD PROGRAM," pg. 25; LCFP, "Report on the Legal and Regulatory Aspects of Voluntary Carbon Credits", October 16, 2024, pg. 8. https://www.banque-france.fr/system/files/2024-11/Rapport_66_A.pdf; Environment+Energy Leader, "Legal Uncertainty Is Becoming a Carbon Market Problem," June 19, 2026. <https://www.environmentenergyleader.com/stories/legal-uncertainty-is-becoming-a-carbon-market-problem.130237>; Counsell, S., "Blood Carbon: how a carbon offset scheme makes millions from Indigenous land in Northern Kenya", March 2023, pgs. 53-55. https://assets.survivalinternational.org/documents/2466/Blood_Carbon_Report.pdf.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		outside the proprietary scope of Principle 4 but which <u>may affect the creation</u> of a VCC should remain governed by the law otherwise applicable to the underlying project, including host State law and applicable CB rules and requirements. The Principles should clarify that the subsequent application of the <i>lex registri</i> does not displace that applicable law (being the law of the host State), or the legal consequences arising from it, merely because the VCC has been registered in another State. <i>*This point should also be reflected accordingly under Principle 3(3) and (4) and its Commentary 3.4. and 3.5.).</i> <u>Principle 4 (13)</u> should be expanded to require that this Principle is subject to and shall be interpreted and applied in a manner that does not conflict with Parties' obligations under the United Nations Framework Convention on Climate Change, the Paris Agreement, and international human rights instruments and customary international law, including UNDRIP, ILO Convention No. 169 concerning Indigenous and Tribal Peoples, and any relevant domestic or international legal requirements, including those governing community tenure rights". Moreover, the relevant Commentary should identify these specific legal instruments and highlight that the realisation of human rights is relevant to both the United Nations Framework Convention on Climate Change and the Paris Agreement. Moreover, while we also note that this instrument is not meant to address conflict-of-laws rules and is meant to be read as guidelines within a single State's law, Principle 4, on the other hand, is meant to do so.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		In summary, SDSG urges the drafters to: - Clarify whether the definition of “Other law” refers to all other law of the <i>lex registri</i>, <i>i.e.</i>, the State where the VCC is registered, the law of the project Host State, or both; - Elaborate on the interplay between these bodies of law and potential implications that the law of the host State may have for the very creation, ownership, and validity of VCCs (see also our comments no. 1, 6 and 11); - Specify that Principle 4 should be interpreted in a manner consistent with international human rights law and other relevant principles governing community tenure rights; and - Add a definition of the law of the project Host State, which appears not to be clearly defined.			
238.	Principle 4	Conflict between the chosen registry and mandatory domestic law. Section II of the Draft Principles contains Principle 4 with a stated purpose to identify, with reliability, the law surrounding "proprietary issues" in respect of a VCC by connecting this to the VCC registry and by permitting the registry operator to select among a closed-list of registry-connected laws. However, it does not mediate the more consequential problem of conflict between the chosen registry and the mandatory or public-policy-inflected domestic law of a state with an independent regulatory interest in the transaction. Such as the state of the underlying carbon-mitigation project, the state of incorporation or habitual residence of the account holder, or the forum state.	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
239.	Principle 4 (Second Order Conflict)	Principle 4 was drafted and refined to solve horizontal conflicts (disputes between two account holders, or between registry-connected legal systems) rather than a vertical conflict between the chosen registry law and a domestic legal framework asserting an independent, non-consensual claim to regulate the same subject matter. Principle 4(10). This allows for the overriding of mandatory rules of the forum, giving examples such as sanctions, embargoes, and anti-money-laundering rules. This provides a safety value, but it is not a structured mechanism for anticipating where mandatory domestic rules are likely to arise in the VCC context. Most obviously the rules of the state where the underlying mitigation project is situated concerning environmental integrity, land use, or the state's own sovereign accounting of nationally determined contributions (NDCs) under the Paris Agreement (which has not been acknowledged as a distinct regulatory interest in the draft). The Demarcation. The distinction between 'principles law' governing proprietary issues and 'other law' governing contract, regulatory licensing, consumer protection, tax exposes the parallel regimes of securities law and digital asset law. This divide could give way to a conflict of law. A domestic regulator's classification of a VCC-related instrument as a security, a commodity derivative, or an environmental attribute, for instance, may trigger licensing or registration obligations that are functionally proprietary in effect, even though on paper, it is 'regulatory'. Principle 4(3) and Principle 4(8). These apply two different connecting factors to the same VCC depending on	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		how it is held: Principle 4(3) points to the registry's chosen law where the VCC is held directly, while Principle 4(8) points to the law of the custody agreement (defaulting to the custodian's account location) where the VCC is custodied. This adds to the tension of two independent legal authorities having jurisdiction over the same asset. Recommendations. Given the above, this comment recommends that Principle 4 be developed to include an express, structured hierarchy, to resolve two recurring points of vertical friction a) domestic regulatory classification of VCCs or VCC-linked instruments that has proprietary consequences, and b) the interaction between registry-chosen law and the law of the state hosting the underlying mitigation project where that state asserts a sovereign or NDC-accounting interest in the credit's status. Referencing the Rome I Regulation. A model worth considering is Article 9(3) of the Rome I Regulation, which permits (but structures) the application of foreign overriding mandatory rules of the place of performance, rather than leaving the matter entirely to forum discretion. Without such structuring, Principle 4(10) risks becoming either redundant (courts reluctant to displace a carefully negotiated uniform rule) or an unpredictable arena (courts inconsistently invoking public policy), both outcomes undermining the very legal certainty the Principles are designed to deliver. UNIDROIT should further consider providing legislative and executive authorities with model guidance and capacity-building programmes to facilitate consistent implementation			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		of the principles and minimise conflicts between private VCC transactions and State regulatory frameworks.			
240.	Principle 4 (Host State versus Registry Law)	Host-State law versus registry law. A distinct point concerns the body of host-state measures that regulate carbon credits at their point of origin through rules on the initial ownership of carbon rights, mandatory benefit-sharing with local and indigenous communities, and outright restrictions on the export or transfer of credits generated within the State's territory. Several states have imposed export controls on carbon credits. International Perspective. Papua New Guinea suspended all new voluntary carbon deals in March 2022 after "significant red flags" were raised about a proposed hundred-year project, maintaining the moratorium for three years while it developed a domestic regulatory framework before lifting it in April 2025. Honduras pursued a similar action on the sale of voluntary carbon credits from domestic nature-based projects in June 2022, framing the measure explicitly as necessary "to safeguard the sovereignty" of the country's forest carbon heritage pending completion of national carbon-finance mechanisms. Indonesia adopted comparable restrictions in April 2022, and Zimbabwe announced it would claim a fixed share of the revenue generated by offset projects on its territory. India has signalled possible restrictions on the export of credits were doing so might compromise the host State's own capacity to meet its NDC. Architectural facets. These measures relate to questions of whether a credit can be created, held and transferred and on what terms. The Article 6 architecture of the Paris	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Agreement reinforces this host-State gatekeeping function at the international level. Under Article 6.2, a host country must issue a Letter of Authorisation before a mitigation outcome may be transferred internationally as an Internationally Transferred Mitigation Outcome (ITMO), and it must apply a "corresponding adjustment" to its own emissions accounts whenever it does so, in order to avoid the same tonne of CO₂ being counted twice. Article 6.4 similarly requires host-Party authorisation before credits issued under the Paris Agreement Crediting Mechanism may be transferred for use toward another State's NDC or for other international mitigation purposes such as CORSIA compliance. Key References. <i>"Papua New Guinea lifts ban on forest carbon credits" (Phys.org, 10 April 2025); "PNG suspends new carbon deals, scrambles to write rules for the schemes" (Mongabay, 4 April 2022); "Honduras Imposes Moratorium on Voluntary Credits" (Coalition for Rainforest Nations, 2 August 2022); "A New Player in Carbon Trading: Governments" (Inter-American Dialogue, 16 November 2023); "Honduras introduced moratorium on nature-based carbon projects" (S&P Global Commodity Insights, 4 July 2022); UN Declaration on the Rights of Indigenous Peoples (2007); ILO Convention No. 169 concerning Indigenous and Tribal Peoples in Independent Countries (1989); Cancun Agreements, Decision 1/CP.16 (2010), Appendix I; Indian Law Resource Center, International Law Principles for REDD+ (2013).</i>			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
241.	Principle 4 (Indigenous and Community Rights)	Indigenous and community rights. Since a large share of VCC-generating projects are located on land subject to indigenous or community tenure, many jurisdictions now condition the legal validity of the underlying project and by extension, the credits that it generates, on free, prior and informed consent (FPIC) and equitable benefit-sharing, drawing on the UN Declaration on the Rights of Indigenous Peoples, ILO Convention No. 169, and the Cancun Safeguards adopted for REDD+. Colombian Perspective. In June 2024, the Constitutional Court of Colombia ruled in favour of the Pirá Paraná Indigenous Council against several parties involved in a REDD+ project, and in May 2025 the Federal Court of Maranhão in Brazil suspended a proposed REDD+ project after the Ka'apor people argued that the absence of prior consultation breached both the Brazilian Constitution and ILO Convention No. 169. Additionally, in many jurisdictions, carbon and resource rights are not yet clearly vested in any party at all, let alone in the project proponent whom Principle 5 treats as the first registered holder with a proprietary right in a newly created VCC. Scope and effect. This issue doesn't fall under 'regulatory' matters that the draft Principles expressly place outside their scope, because rules determining who originally holds the carbon right or incorporating community consent, go to the very existence and initial vesting of the proprietary interest that later becomes the subject of a VCC. Export or transfer bans cannot be dismissed as ordinary trade regulation unconnected to proprietary rights, since their practical effect is to restrain the usability of an asset that registry law may	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		otherwise treat as freely transferable and eligible for innocent acquisition. The result is a possibility that a transferee could, under the registry-connected law, hold an unencumbered title to a VCC, while being unable to export, retire, or use that credit for any compliance or NDC-related purpose recognised by the host State, ultimately producing a credit that is proprietarily "clean" but practically unusable. Recommendation. The draft Principles, should expressly identify host-State rules on 1. the initial vesting of carbon or resource rights, 2. mandatory benefit-sharing, 3. indigenous or community consent as a precondition to project or credit validity, and 4. export or transfer authorisation, as a distinct category. Additionally, the Working Group must develop guidance clarifying how a VCC that is validly created and transferable under its registry-connected law is to be treated where the host State denies, restricts, or conditions the underlying entitlement. Without such guidelines, market participants and reviewing courts will be left to guess whether host-State consent and export requirements have been satisfied, and what consequence follows for the VCC if they have not. Key Reference. Norton Rose Fulbright, "Growing importance of free, prior and informed consent within carbon markets" (2025), discussing Constitutional Court of Colombia, judgment concerning the Pirá Paraná Indigenous Council (June 2024), and Federal Court of Maranhão, Brazil,			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>order concerning the Ka'apor people and the "Baka Rokarire" REDD+ project (May 2025).</i>			
242.	Principle 4 (Public Law Rights)	Public-law rights are deliberately outside the proprietary framework. The draft is equally careful regarding public regulation. The commentary of Principle 4 states that the conflict-of-laws rule concerns private-law proprietary matters and does not govern contractual, tort, regulatory or tax questions. This matters because a VCC may be legally transferable while the underlying project remains subject to restrictions imposed by environmental or climate legislation. The same distinction applies to contracts. The VCC itself can be sold under a contract. The registry account agreement can create rights and obligations between the registry operator and the account holder. A project agreement can determine who is entitled to generate or market VCCs. A purchase agreement can impose warranties concerning additionality, permanence or regulatory eligibility. None of these contractual rights necessarily becomes a proprietary right merely because it relates to a VCC. Even if a VCC has been validly created, it can be attributed that they are not up to the mark. The UNIDROIT draft principles do not treat such a VCC as if it never existed since the corrective timeframe and measures to meet end objective is facilitated. This confirms that the VCC, as a distinct legal asset, is capable of independent existence and treatment separate from the environmental fact it purports to represent. The conflict-of-laws problem. The distinction between the VCC and the underlying mitigation outcome is particularly important in cross-border transactions. A single VCC	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		transaction may involve the law of the State where the mitigation project is located, the law governing the crediting programme, the law of the registry, the law governing a custodian, and the law applicable to the transfer or security agreement. Treating all these relationships simply as “ownership of the carbon credit” could generate significant conflict-of-laws uncertainty. Principle 4 appropriately confines its scope to proprietary issues relating to VCCs, while leaving contractual, regulatory and tax questions to other applicable law. Location. This also explains why the location of the underlying mitigation project should not automatically determine the law governing proprietary rights in the VCC. The draft recognises that a registry may contain VCCs generated by projects in numerous jurisdictions and that applying the law of each project State could fragment the market and undermine fungibility. The distinction should therefore remain clear: the law governing proprietary rights in a VCC need not be the law governing the underlying mitigation project. <i>Key References.</i> Vittoria Battocletti, <i>The Voluntary Carbon Market: A Law and Economics Analysis</i> (Università Bocconi 2025), https://hdl.handle.net/20.500.14242/213807; Thales A. P. West et al., <i>Demystifying the Romanticized Narratives About Carbon Credits from Voluntary Forest Conservation</i>, <i>GLOBAL CHANGE BIOLOGY</i>, first published Oct. 13, 2025, https://doi.org/10.1111/qcb.70527.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
243.	Principle 4(1)-(3), (9); Commentary on Principle 4 (Applicable law and cross-border interoperability)	I support the Lex Registri approach in Principle 4. No amendment to that rule is proposed. Principle 4(1) provides that the designated law governs “all questions pertaining to proprietary matters”, while Principle 4(2) excludes, among other matters, the underlying mitigation project and the submission of a VCC for compliance, taxation or regulatory purposes. Principle 4(3) then provides that proprietary matters are governed by the law of the VCC registry (lex registri). Principle 4 therefore answers the proprietary-law question. It does not itself determine whether another jurisdiction will recognise or rely upon the measurement, verification, accreditation or regulatory arrangements underlying a VCC. Proprietary-law interoperability and institutional or regulatory interoperability are related but distinct questions. A project, verifier, crediting body, registry and end-user may each be located in a different jurisdiction. The lex registri rule determines the law governing proprietary matters; it does not resolve whether one system will give weight to verification, accreditation or other institutional acts from another. Here, regulatory reliance refers only to situations in which one system gives weight to assessments from another trusted institution. This distinction is also relevant to the bracketed option in Principle 4(9) concerning VCC mechanisms established by States. Whatever option the Working Group adopts, the proprietary choice-of-law rule should remain distinct from questions of regulatory recognition or reliance.	Dr George Yijun TIAN	Associate Professor at the Faculty of Law, University of Technology Sydney, Australia <i>Comments submitted in academic capacity</i>	Australia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Recommendation: The Commentary could usefully acknowledge that Principle 4 addresses proprietary matters but does not resolve questions of institutional recognition, regulatory reliance or technical/registry interoperability. No additional conflict-of-laws rule is proposed. This limited clarification would help prevent the lex registri rule from being understood as resolving all legal questions arising from cross-border VCC transactions.			
244.	Principle 4(2), 4(3), and 4(11); Commentary 4.19-4.20	Issue: Principle 4(11) provides that courts “may” apply overriding mandatory rules, whereas Commentary 4.51 states that courts are required to apply the overriding mandatory rules of the forum. This inconsistency may create uncertainty regarding the mandatory application of such rules. Recommendation: Align Principle 4(11) with Commentary 4.51 by expressly providing that courts shall apply the overriding mandatory rules of the forum and may give effect to the overriding mandatory rules of another State that is closely connected with the matter, including the State in which the underlying mitigation project is located, in accordance with the applicable rules of private international law.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
245.	Principle 4(2)(a) and Commentary 4.6 (proposal of new subsection)	Regarding this point, two comments and suggestions may be raised. First, Principle 4(2)(a) should be restored to its fuller, more precise formulation, excluding from the scope of the law identified by Principle 4 “matters related to the carrying out of any underlying carbon mitigation project, including land	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		use, community rights, indigenous rights, or human rights." These are properly matters of public order governed by mandatory rules, and their exclusion from the proprietary-matters regime is consistent with the 14 November 2025 iteration that the HCCH Experts' Group had endorsed. Second, and independently of the above mentioned exclusion, we think that part of the Commentary 4.6 should be elevated to the black letter as a new subsection following Principle 4(5), at the point where the general choice-of-law mechanism is already established. This subsection would provide that the law identified by Principle 4, for the matters that remain within its scope, "is subject to and shall be applied in a manner that is compatible with rights and interests in the land and the natural resources, community rights, Indigenous rights, or human rights." This is not a re-inclusion of the matters excluded under 4(2)(a); it is a compatibility standard governing the law that continues to apply to proprietary matters, consistent with modern choice-of-law methodologies incorporating substantive human rights considerations (e.g. the Institut de Droit International's Resolution on Human Rights and Private International Law). The two amendments are mutually reinforcing. Matters directly implicating land, community, indigenous, or human rights are carved out entirely and left to their own governing law. Everything else within Principle 4's scope remains subject to a compatibility floor drawn from that same body of rights. We note that this concern is not hypothetical in our region. The Constitutional Court of Colombia, in judgment T-248 of 2024 (Consejo Indígena del Pirá Paraná and ACAIPI			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		v. Masbosques and others), addressed the compatibility of a REDD+ crediting arrangement with the self-government and territorial integrity of indigenous peoples.			
246.	Principle 4(2)(a)	<i>Disadvantaging indigenous peoples and local communities</i> Paragraph (1) under Principle 4 sets forth the proprietary matters that are governed by applicable law including, but not limited to, “creation of a VCC as the subject of proprietary rights” and “whether a person has a proprietary right in a VCC and the content of such right”. Paragraph (2) details exclusions, covering but not limited to, “(a) matters related to the carrying out of any underlying carbon mitigation project or to rights and interests in the land and natural resources”. Principle 4(2)(a) therefore risks disconnecting the proprietary rights connected to a VCC from matters relating to the underlying carbon credit project areas where Indigenous Peoples or local communities might be involved (communities who are often already in vulnerable and disadvantaged positions when it comes to crediting projects⁴³). Such a disconnect between the rights and interests of on-the-ground communities connected to the land and ownership of a carbon credit generated by a project on the same piece of land seems problematic. This could lead to a scenario where matters concerning the aforementioned	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

⁴³ See, for example: “[Trading carbon credits for human rights: Does Article 6.4 of the Paris Agreement protect Indigenous Peoples and local communities?](#)” (Carbon Market Watch and Land Matrix, May 2026); “[From land grabbers to carbon cowboys: a new scramble for community lands takes off](#)” (Grain, September 2024); and “[Carbon markets: a new form of colonialism for Indigenous Peoples?](#)” (The Lancet Planetary Health, May 2025).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		communities on the ground are treated only as secondary or voluntary afterthoughts. While it is understood that the scope of these UNIDROIT principles are limited to private law issues covering the proprietary status of VCCs themselves, a complete exclusion of connected on-the-ground matters could have implications for the proprietary rights of a VCC. For example, while free, prior, and informed consent (FPIC) is usually required for crediting projects, there may be subsequent disputes about whether indigenous peoples and local communities actually consented. If it is found that there was a lack of FPIC or a 'land grab' on the part of the developers – and this conduct is deemed illegal under the domestic law of the host State – this would presumably have implications for the proprietary status of the VCCs generated from that project. While UNIDROIT Principle 13 addresses illegality, its effects are left to other applicable domestic law. The problem is that a finding of illegality under relevant domestic law – in the case of a lack of FPIC, for example – may have legal consequences for property rights connected to a VCC, so a blanket exclusion in Principle 4 is simply too broad for such an interconnected issue. Therefore, the rights of these communities to the land and natural resources must – at the very least – be taken into consideration where they have legal consequences for whether and how a particular VCC (that has been generated from a project on a piece of land tied to a community) can legally exist as a piece of property. We therefore recommend deleting Principle 4 (2)(a). If this is not possible, the commentary section should clearly			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		explain the logic behind this exclusion in greater detail and clarify how Principle 4(2)(a) is intended to operate where an illegality arising from the underlying mitigation project has legal consequences for a proprietary issue under Principle 4. In addition, the commentary should also flag to the audience (i.e. nation states) that the rights of indigenous peoples and local communities must always be accounted for and upheld before adopting these principles into domestic law.			
247.	Principle 4(3)	The <i>lex registri</i> rule may create a risk that proprietary consequences are detached from mandatory environmental requirements applicable in the jurisdiction where the mitigation activity occurred. The Draft should clarify that recognition of proprietary rights under <i>lex registri</i> cannot affect the validity, continuing applicability, or enforceability of mandatory environmental obligations imposed by the host State.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
248.	Principle 4(3)	<i>lex registri</i> : An alternative approach – and arguably a solution more in line with the letter and the spirit of the Paris Agreement – would be to have different laws be applicable for creation (primary market) and everything from the first transfer (secondary market). While the commentary is correct to point out that trading will be hampered if each VCC comes with its own property law, this really only kicks in with trading. There are good arguments, on the other hand, for having the state that hosts the underlying project (the “host country”) provide the applicable rules for the coming into being of the relevant VCCs.	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Ibidem – party autonomy/account agreements: We cannot follow the choice approach, not least on the grounds that a uniform approach for all VCCs in the registry is needed. Would an objective connecting factor not better fit this rationale?			
249.	Principle 4(3)	<i>lex registri</i>: This is a complicated clause with many variants linked to “choice”, or party autonomy (which in practice, as the commentary notes, would usually be the ‘autonomy’ of the standard). There may be room for simplification along an objective factor. More generally, given the <i>de facto</i> and <i>de iure</i> linkage of underlying project, credit generation and issuance, we wonder if the applicable law for issuance had better be the law of the project (host country) with the <i>lex registri</i> being applied from the first transfer (not before).	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
250.	Principle 4(3)	Concerns around the flexibility given to registries This principle allows the registry operator to choose the applicable law to govern proprietary matters related to its VCCs. There are four choices: the law of the State of incorporation; the statutory seat; the central place of administration; or the State from which the VCC registry is maintained. In other words, it appears that there must be a close connection between the registry operator and the selected applicable law. The complete lack of uniformity of applicable law is a challenge here, since VCCs in a given registry are generated from projects based in many different host countries. This explains – to an extent – why the draft proposes to use the registry as the connecting factor.	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		We have, however, concerns with the flexibility granted to a registry operator to determine its own governing law. First, many registries, namely the biggest ones, are incorporated or based in the “Global North”, so limiting applicable law to connections to the registry could exclude the laws of “Global South” countries that host VCC projects from governing proprietary matters related to VCCs generated from projects in their territories. This can result in a disconnect between the law governing the mitigation project and the law governing proprietary rights in the VCC generated by that project. Second, even if it is reasonable to limit applicable law to connections to a particular registry, there is still a risk of forum shopping, as the registry operator has an incentive to select the jurisdiction with the least stringent rules. Furthermore, how difficult is it to, for example, establish a central place of administration 4 (3)(c) simply for this purpose? We do not recommend giving the registry operator a choice among the four connecting factors, if UNIDROIT ultimately determines that the applicable law must be connected to a particular registry. Instead, unless there are clearly outlined reasons, the applicable law should be determined based on which of the four connecting factors has the closest connection to the registry with clear, third-party verified, justification. This should require the registry operator to investigate these connections and clearly justify its choice in, for example, a public disclosure as well as to the relevant			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		regulator who could in turn verify and approve such a justification.			
251.	Principle 4(3)-(5)	The Kingdom nevertheless notes that, under paragraphs 3 to 5, the law governing proprietary matters may be selected by the VCC registry from among the laws connected with the registry operator and, in the absence of a choice, is determined by reference to the operator's statutory seat or central place of administration. Consequently, proprietary matters relating to a VCC originating from a project in one State may be governed by the law of another State solely because the VCC is recorded in a registry operated from that jurisdiction. We suggest clarifying that the application of the law identified under Principle 4 is without prejudice to the applicable mandatory domestic law and does not affect matters that fall outside the private-law scope of the Principles. We also support retaining paragraph 9, which recognises that, where a VCC mechanism is established by one or more States, proprietary matters relating to credits created under that mechanism may be governed by the law chosen or the rules established by those States.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
252.	Principle 4(3)-(4) and Commentary 4.23 (publicity of the choice of law)	The choice under Principle 4(3) is made unilaterally by the registry operator, and Commentary 4.23 acknowledges that individual account holders "will have no other choice than to take the choice suggested to them or leave the offer altogether". Unlike a choice of law in a contract, this choice operates <i>erga omnes</i> upon the proprietary status of the asset and binds third parties who have never dealt with the	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		operator. The analogy drawn in Commentary 4.23 with choice-of-law clauses in the standard terms of large enterprises is, with all due respect, imperfect for that reason. We suggest that Principle 4(4) be supplemented by a publicity requirement to the effect that the choice is effective against third parties only where it is recorded in a manner readily accessible to any person dealing with VCCs recorded in that registry. A closely analogous concern was raised in relation to Principle 5(2)(b) of the DAPL Principles ⁴⁴ .			
253.	Principle 4(3), (7) and (8) (coordination among the several conflict rules)	Proprietary matters follow the <i>lex registri</i> under paragraph (3); the creation, third-party effectiveness, priority and extinction of security rights follow the law of the grantor's location under paragraph (7); and proprietary rights in VCCs held by a custodian follow the law of the custody agreement under paragraph (8). The instrument provides no rule of coordination. We understand from the record of the first meeting of the HCCH Experts' Group that a "hybrid approach", giving precedence to the right first made effective against third parties, was contemplated at an earlier stage ⁴⁵ . We suggest that whatever solution the Working Group favours be stated in the black letter or, at the very least, in the Commentary.	American Association of Private International Law (ASADIP)		Americas

⁴⁴ Á. M. Ballesteros Barros, "Principle 5 Applicable law", in C. Pastor Sempere and D. A. Morán Bovio (eds.), UNIDROIT Principles on Digital Assets and Private Law (Springer, 2026), pp. 307-308.

⁴⁵ Hague Conference on Private International Law (HCCH), Permanent Bureau, *Grupo de Expertos sobre Mercados de Carbono: Informes de la primera, segunda y tercera reunión*, Doc. Prel. N.º 4 (enero de 2026), Anexo I, "Report of the First Meeting of the Experts' Group on Carbon Markets (13-15 May 2025)," para. 72.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
254.	Principle 4(3) and 4(4); Commentary to Principle 4	The Project supports the choice of the law of the VCC registry as the connecting factor, which reflects the reality that transfers presently take place only within a single registry, as paragraph 36 of the Introduction acknowledges. Two observations are offered on its articulation. First, on the manner in which the choice is made. Principle 4(4) permits the choice to be made in the general rules of the VCC registry or in the account agreements. In the first case the applicable law is designated unilaterally by the registry operator and binds all holders, including successive acquirers who have not negotiated those rules and who may have no practical means of ascertaining the choice before acquiring. Principle 4(6) requires the consent of the registered holder for a change in the choice of law to be effective and preserves the position of a non-consenting secured creditor. That provision indicates that the Working Group has identified the concern. It may be worth considering whether a corresponding safeguard should attach to the initial choice, for instance a requirement that the chosen law be publicly disclosed in the registry's general rules in a form accessible to prospective acquirers. Second, on the relationship with Principle 5 of the DAPL. Where a VCC is issued or represented in a controllable electronic record, both instruments may bear on the same object. We suggest that the Commentary address their articulation expressly, so as to avoid divergent outcomes as between the law of the registry and the criteria of Principle 5.	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		This point is of immediate practical relevance in the European Union. The European Commission's targeted consultation on the review of Regulation (EU) 2023/1114, in section 4.7, acknowledges that the connecting factors customarily employed are of little assistance in relation to these assets and refers expressly to the Unidroit DAPL Principles. Coherence between the two instruments would therefore have consequences beyond the VCC market. Third, and in order to align this response with the position already settled by the Project in its submission to the European Commission, three private international law refinements are respectfully suggested in relation to Principle 4. The first concerns recognisability by third parties. A choice of the applicable law should be effective against third parties only where they are able clearly to determine or recognise that such a choice has been made. The law chosen for a registry should therefore be attached to the asset, or otherwise made available, in a form accessible to anyone wishing to investigate its position. The second is the exclusion of <i>renvoi</i>. Principle 4(12) provides that the law of a State means its rules of law in force other than its private international law rules, which addresses the point as regards the connecting factors laid down in the Principle. We suggest that the Commentary should state expressly that the same exclusion governs a choice made under Principle 4(3) and (4), along the lines of Article 20 of Regulation (EC) No 593/2008, Rome I, and of			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Article 8 of the Hague Principles on Choice of Law in International Commercial Contracts. The third is an escape clause in the absence of choice. Principle 4(5) designates the law of the State of the registry operator's statutory seat or, failing that, of its central administration at the time of creation of the VCC. Where that connection proves purely formal, the result may be remote from the situation actually before the court. It may be worth considering an escape clause referring to the law with which the VCC is most closely connected, as provided in Article 4 of the Rome I Regulation, in Principle 39 of the Principles for a Data Economy prepared by the American Law Institute and the European Law Institute, and in Principle 3(2) of the Principles on the Use of Digital Assets as Security prepared by the European Law Institute. These three refinements correspond to the position the Project maintains before the European Commission in relation to section 4.7 of the MiCA consultation. They are offered here so that the two responses, which will both be public and are to be submitted nine days apart, rest on a single and coherent position.			
255.	Principle 4(3)–(8) (Choice of law and migration)	Support a predictable connecting rule, but strengthen protection against avoidance of integrity obligations. Incorporation or a statutory seat can be arranged without substantial operations; Commentary 4.25 should not assume that all permitted connecting factors cannot be established artificially. Require the selected law and genuine operational connection to be publicly recorded.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Prefer central administration under Principle 4(3)(c), or another demonstrable substantial connection, over a purely formal seat. Make a single default registry law explicit in operative text, while recording any protected legacy exceptions. Under paragraph (6), changes should not prejudice accrued third-party rights or existing correction liabilities; do not presume that a registered holder can waive an unrepresented beneficiary's protections without authority. Limit paragraph (8) to the relevant custody relationship. A custody-law choice should not alter the underlying unit's creation, integrity status, cancellation history or applicable public-law restrictions.			
256.	Principle 4(5)	In the absence of choice, it could be useful to establish an escape clause to the application of the law of the State where the registry operator has its statutory seat or its central place of administration at the time of the creation of the VCC. The statutory seat or place of administration happens to be only a formality, and this is why the solution is traditionally interpreted as the main place of business instead. It follows that proprietary rights with respect to VCCs (e.g. ownership, retirement, cancellation) are not necessarily closely connected to those places. Generally speaking, there is no logical reason to hold that there is an automatic close connection between the proprietary aspects of VCCs and those places. Thus, having the law of the statutory seat or of the central administration competing with other potentially more closely connected laws could bring both predictability and flexibility to the legal regime. For this purpose, a general provision such as this one could be	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		included: “Where it is clear from all circumstances that the proprietary aspects of a VCC are manifestly more closely connected with a State other than those indicated in [...], the law of that other State shall apply”.			
257.	Principle 4(6)	Recommend that registries state their chosen governing law in publicly available rules, and registries should confirm if a VCC has a governing law that is different from the registry’s default, so that a purchaser does not need to trace the VCC’s full transaction history. Consider that a registry should not be able to change governing law without active consent of its account holders (typically registry rules are unilaterally updated or apply deemed consent mechanics).	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
258.	Principle 4(6) and Commentary 4.40, 4.43 (plurality of applicable laws within one registry)	Principle 4(6) renders a change of the applicable law effective only as regards consenting holders, so that two laws may govern proprietary matters in respect of VCCs recorded in the same registry. Commentary 4.40 considers that observing two laws “should not be too burdensome” for the operator, which “will be familiar with both of them”. That assumption is not self-evident, and it is least persuasive in the very case addressed by Commentary 4.43, namely the transfer of the registry to a new operator that may have no prior connection with the previously applicable law. Read together with paragraphs (7) and (8), as many as four different laws may bear upon a single VCC. We suggest that the Commentary address how conflicts among them are to be resolved, and that the Working Group reconsider whether the objective stated in Commentary 4.16 (that all VCCs recorded in a registry should be governed by the same law) is in fact achieved by the provision as drafted.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
259.	Principle 4(7)	Principle 4(7) provides that the creation, third-party effectiveness, priority, and extinction of security rights in a VCC are governed by the law of the State in which the grantor is located, but it does not specify the time at which the grantor's location is to be determined. This omission may be relevant where the grantor subsequently changes its location, as this may affect the determination of the applicable law. It is suggested that consideration be given to a rule specifying the relevant time for determining the grantor's location, bearing in mind that the different matters covered may require different temporal rules. By way of reference, Article 91 of the UNICTRAL Model Law on Secured Transactions provides for different temporal rules depending on the matter at issue.⁴⁶	American Association of Private International Law (ASADIP)		Americas
260.	Principle 4(9) (Mechanisms established by States)	We support the retention of Principle 4(9). Registries operated by or under the authority of States and international organisations, notably the Article 6.4 Mechanism Registry administered by the UNFCCC secretariat under the supervision of the Article 6.4 Supervisory Body, do not fit the connecting factors of paragraphs (3) and (5), which presuppose a registry operator possessing a statutory seat or a central place of administration in the ordinary corporate sense. We suggest that the provision be drafted so as to make clear that it prevails over paragraphs (3) to (5), and that the Commentary address the position of national registries	American Association of Private International Law (ASADIP)		Americas

⁴⁶ UNCITRAL, Model Law on Secured Transactions (2016), Art.91.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		operated by State bodies, several of which are in operation or under development in Latin America.			
261.	Principle 4(9) (Intergovernmental mechanisms)	Retain the bracketed provision, but clarify the relationship between internationally established mechanism rules and domestic proprietary law. For a mechanism such as Article 6.4, the internationally agreed rules may determine issuance, authorisation status and cancellation without comprehensively resolving ownership, security rights or insolvency. Suggested clarification: "Rules validly established under the relevant intergovernmental mechanism govern matters within their scope. Residual proprietary matters are governed by the law designated under this Principle, insofar as consistent with those rules and applicable international obligations." A private registry or custody agreement must not override a decision by the competent mechanism body or host Party within its lawful authority. Conversely, do not assume that the location of the UNFCCC secretariat selects a national property law. Require clear notice of the applicable mechanism rules, residual law and available review or dispute-resolution routes.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
262.	Principle 4(10)-(11)	The public policy and overriding mandatory rules exceptions should expressly reference environmental protection, climate governance, human rights, Indigenous Peoples' rights, and national carbon-market integrity frameworks. Such clarification would reduce uncertainty regarding the ability of courts to refuse recognition of proprietary	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR)	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		arrangements that undermine mandatory environmental safeguards.		Ministry of Environment and Sustainable Development	
263.	Principle 4(10) and 4(11)	Finally, Principle 4(10) on public policy (<i>ordre public</i>) and Principle 4(11) on overriding mandatory rules are valued as indispensable safeguards to preserve national environmental, administrative, and fiscal sovereignty the threshold should be understood as “international” public policy.	Government of Uruguay	Directorate of International Law Affairs Ministry of Foreign Affairs	Uruguay
264.	Principle 4(10) and Commentary 4.50	It is suggested that the term “manifestly” be incorporated into the expression “incompatible with their public policy (<i>ordre public</i>)” in Principle 4(10). Given the exceptional nature of this clause, it may be appropriate for the text of the Principle to expressly reflect the high threshold that must be met to justify the exclusion of foreign law. In this regard, Commentary 4.50 states that the exception should be limited to outcomes that are incompatible with “the most fundamental notions of justice of the forum”. The inclusion of “manifestly” could provide additional guidance for the application of the exception, reinforcing, in the operative text of the Principle itself, the restrictive character already reflected in the Commentary. This wording is also consistent with that used in other international instruments, such as the 2006 Hague Convention on the Law Applicable to Certain Rights in Respect of Security Held with an Intermediary, which refers to manifest incompatibility with public policy.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The use of the term <i>international</i> public policy/order may also be considered, in line with the declaration made by Uruguay regarding the “public order” clause in the Inter-American Convention on General Rules of Private International Law ⁴⁷ .			
265.	Principle 4(10)–(13) (Mandatory rules and host State rights)	Retain paragraphs (10) and (13). Strengthen paragraph (11) to state that courts “shall apply overriding mandatory rules of the forum”, while specifying when effect may be given to such rules of another relevant State. This would align the operative text with Commentary 4.51. Include relevant environmental, human rights and anti-corruption rules among the examples, without implying that every environmental rule necessarily qualifies as overriding mandatory law. Expressly preserve the application of host State law to land, natural resources, project approval and underlying rights, including legally protected customary and Indigenous rights. The choice of registry law should not determine those matters. Revise Commentary 4.50 so that its focus on proprietary issues does not exclude consideration of serious underlying rights violations when assessing the consequences of applying foreign law. Specify cooperation and recognition procedures for relevant host State determinations, subject to jurisdiction and due process.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
266.	Principle 4(11) and Commentary 4.51	The iteration of Principle 4 prepared by the Working Group’s private international law subgroup on 14 November 2025 provided, in its paragraph (9), that courts might apply	American Association of Private		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Overriding mandatory rules of the host State)	overriding mandatory rules “including those of the host State of the underlying carbon project”⁴⁸. That reference does not appear in Principle 4(11) as submitted to consultation, and Commentary 4.51 now offers only restrictive measures, anti-money-laundering and counter-terrorist-financing rules as examples, together with the possibility of giving effect to foreign overriding mandatory rules on the basis of comity. We respectfully invite the Working Group to explain the reasons for this change and to consider restoring the reference. Host States of mitigation projects are the jurisdictions whose regulatory interests are most directly engaged by the creation of VCCs, and comity alone is, with respect, a fragile basis on which to rest the protection of those interests.	International Law (ASADIP)		
267.	Principle 4(11)	Overriding mandatory rules are double edged swords. Considering that they are designed to protect the public interests of the forum, they can easily override the otherwise applicable law and alter predictability. It is suggested that the Working Group considers the utmost importance of defining overriding mandatory rules and to introduce such a definition directly in the principles. A useful example could be Article 9 of Rome I Regulation. If the Working Group wishes to introduce foreign overriding mandatory rules as an element of Principle 4, as Commentary 4.51 suggests, it seems equally important, considering the far greater extensive scope of these rules, that it expressly indicates so in the black letter. Moreover,	American Association of Private International Law (ASADIP)		Americas

⁴⁸ Hague Conference on Private International Law (HCCH), Permanent Bureau, *Grupo de Expertos sobre Mercados de Carbono: Informes de la primera, segunda y tercera reunión*, Doc. Prel. N.º 4 (enero de 2026), para. 19.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		and also in connection with the previous comment, it is also important to define the scope of foreign overriding mandatory rules. In other words, it is necessary to reflect on the most convenient threshold that would make them applicable. In particular, it is important to reflect on the way in which the situation or dispute is connected with the foreign norm and the degree of proximity necessary between them.			
268.	Principle 4(13)	The reference to the UNFCCC and Paris Agreement could be broadened to encompass future relevant climate agreements, CMA decisions, transparency requirements, and nationally established authorization frameworks. This would help ensure that the Principles remain adaptive as the international climate regime evolves.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
269.	Principles 4, Commentary 4.6 and Principle 10	If the Working Group considers the definitional location proposed in Comment 4 structurally inapt, the alternative is an express bridge in the black-letter text of Principle 10, with an appropriate cross-reference under Principle 4. The bridge should state directly that failure of the creation-time capacity condition amounts to complete nullity under Principle 10(1)(b). A form of words for adaptation to Principle 10 might be: 'For the purposes of paragraph (1)(b), the creation of a VCC is a complete nullity where the relevant GHG mitigation project was carried out on land or on a natural resource treated as immovable property under the law of the State in which that resource is situated, and the land or natural resource was,	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		at the time of the acts referred to in Principle 2(1)(a) to (d), incapable, under the law of the State in which it is situated, of being made the object of the specific interest required by that law for carrying out the project.' The <i>lex rei sitae</i> is a widely recognised starting point for determining the capacity of immovable property to be made the object of a given interest. The proposed rule is confined to land and to natural resources treated as immovables under situs law; it states no connecting factor for other resources or intangibles and does not displace the <i>lex registri</i> for downstream proprietary matters. Commentary 4.6 is a compatibility constraint and an interpretive anchor, not itself a positive <i>lex situs</i> rule. The respondent notes that the HCCH Experts' Group on Carbon Markets has expressly left a closely related question open, and has sketched a possible provision under which '[t]he proprietary rights in a VCC are deemed to exist subject to the condition that the underlying carbon mitigation project remains in compliance with the overriding mandatory rules of the host State concerning land tenure and indigenous rights, as applied under Principle 4(4)' (Prel. Doc. No 4 of January 2026, Annex V, item (e)). The formulation proposed here is deliberately narrower: it imposes no continuing-compliance condition and is confined to capacity at the time of creation. It therefore answers the question left open by the HCCH without introducing the market uncertainty to which a continuing condition would give rise, and without displacing the registry-based connecting factor.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
270.	Principle 4, Commentary 4.18	While VCCs do not have a physical location, crediting mechanisms often define project boundaries for MRV purposes. It may be helpful to clarify that the location of the project is different from the legal location of the VCC.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
271.	Principle 4, Commentary 4.19-4.20 read with Principle 10 (Relevance of the project and the enacting State)	Commentary 4.20 states that the law of the place where the mitigation project is located “has no relevance for proprietary issues in respect of a VCC once the latter has been created”. Principle 10(1), however, permits retrospective cancellation where the VCC was created as a result of deliberate wrongdoing in the verification, approval, crediting or individuation of the VCC, or where its creation was a complete nullity, that is, where defects arising in the project and verification phase destroy the VCC ab initio. The two propositions sit uneasily together and we suggest they be reconciled in the Commentary. We further invite the Working Group to explain why Principle 10(2) refers the characterisation of that conduct, and the circumstances amounting to complete nullity, to “the law of the enacting State” rather than to the law designated under Principle 4. As the question determines whether the asset ever existed, and the law governing proprietary matters would appear to be its more natural referent, the present drafting appears to introduce a <i>lex fori</i> solution into a matter that Principle 4(1)(a) treats as proprietary, something that may have consequences on the global regulation of the issue.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
E. Section III: Creation and Transfer (Principles 5-7)					
272.	Principle 5 (Creation of a VCC and existence of the underlying mitigation outcome)	Principle 5 should distinguish more clearly between the creation of a proprietary object and the prior determination that an eligible and verified mitigation outcome has occurred. A carbon unit is not merely an asset whose environmental characteristics affect its value; in many cases, compliance with methodological, monitoring and verification requirements determines whether the unit can validly exist at all. Recognition of proprietary rights in a VCC should therefore not, by itself, validate the environmental integrity, eligibility or accounting status of the underlying mitigation outcome. These questions remain governed by the applicable crediting framework and, where relevant, national and international climate rules.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
273.	Principle 5	The Draft does not address situations in which ownership or entitlement to mitigation outcomes remains disputed at the project level when a VCC is created. The commentary could recognize that the creation of a VCC does not, by itself, resolve disputes concerning land tenure, Indigenous rights, community rights, resource rights, benefit-sharing arrangements, or entitlement to revenues derived from mitigation outcomes.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
274.	Principle 5	Principle 5 appropriately identifies registration in the VCC registry as the constitutive act for the creation of proprietary rights, thereby ensuring legal certainty regarding the moment of existence of a VCC. However, the interaction	Government of Pakistan	Ministry of Law and Justice	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		between Principle 5(2) and applicable domestic property law may require further clarification to avoid conflicts in cross-border contexts.			
275.	Principle 5 and Commentary 5.6	The Principles could usefully clarify that recognition of a proprietary VCC does not create any presumption regarding title to land, forests, natural resources, carbon stocks, or ecosystem services. Such clarification would avoid possible misinterpretation in jurisdictions where environmental rights are distinct from property rights over land.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
276.	Principle 5	Russian regulation adopts the same approach, including as to the moment at which a VCC comes into existence: carbon units are treated as created when they are credited to an account in the carbon unit registry (Article 10 of Federal Law No. 296-FZ of 2 July 2021).	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation
277.	Principle 5 and Principle 9(3)	The legal consequences of an imprecise definition. The problem here is particularly acute because Principle 2 connects directly to the proprietary architecture of the instrument. The draft explains that a VCC is an intangible asset and that its individuation is one of the characteristics that enables it to be the subject of proprietary rights. Principle 5 subsequently provides that a VCC comes into existence when it is recorded in a VCC registry, at which point the relevant proprietary consequences arise. Assets in Law. Accordingly, the quantitative definition links to what asset exists in law. If the underlying mitigation	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		outcome is incorrectly quantified, the issue extends to whether the VCC recorded in the registry qualifies as a VCC at all. When viewed in light of the draft's own provisions on cancellation (Principle 9(3), read with Commentary 8.3), a reduction of the achievement below that threshold of one metric tonne can have consequences for the entire VCC rather than merely a fractional part of it. Commentary 8.3 confirms that a shortfall to even 0.99 tonnes of CO₂ equivalent results in cancellation of the whole VCC, not a proportionate reduction. Effect. The practical consequences are particularly apparent for methane, nitrous oxide and fluorinated gases. A crediting system that permits mitigation of these gases necessarily needs a conversion mechanism.			
278.	Principle 5	We understand that at the point of creation (otherwise known as issuance), a unique identifier is attached to the credit which ensures it that the asset is unique. Registration or recordation in the carbon registry ensures that the VCC aligns with the attributes that make it subject to proprietary rights, such as rivalrousness and controllability. The Draft Principles have sought to further align creation with key milestones in the project lifecycle by requiring that creation involves a positive verification statement, for example. However, regardless of creation and recognition of custody arrangements, the registry mechanism as currently constructed still places disproportionate discretion and responsibility in the hands of the carbon registries in terms of the extent of their ability to intervene in the assets recorded in their registry accounts. Most registries use the their registry terms of use to set out the circumstances in	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		which they may freeze the ability for the holder of the VCCs to transact with them, usually on grounds of illegality, non-payment of fees, or non-cooperation/compliance with KYC and legal compliance obligations. Where there is uncertainty still is the threshold for these grounds of suspension and the level of discretion the registry holds, whether of the registry account or placing on hold of individual credits within the account. The approach also relies on the relevant CB's consistent enforcement of its program rules and terms of use. One of the largest registries still specifies that suspension remains at its discretion despite setting out a list of grounds for suspension. Discretion held by the carbon registries in relation to the transactability (even where generally not exercised) conflicts with the principle that once created, the account holder is the holder of the VCC and with the rights of any holder of the proprietary rights in the VCC. Complication and challenge may arise in particular where there is custodial relationship between the account holder and a third party. We see that the question of proprietary rights in a VCC is left to be addressed by local law (the lex registry) under Principle 4 but this does not provide certainty at the contracting and project validation/registration stage and may require legal challenge and determination before the issue of creation is resolved.			
279.	Principle 5	Principle 5 on the creation of a VCC creates more ambiguity than it resolves. It simultaneously states that the registered holder of a VCC, once it has been issued to their account in a VCC registry, has a proprietary right in that VCC (unless it maintains it for a client then the client holds that right), and	Sustainable Development Strategies Group (SDSG)		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		then states that, after that moment, whether a person has a proprietary right in a VCC is a matter of “other law”. In other words, this principle affirms a long-held assumption that ownership of VCCs is held by project developers or representatives of key financiers (recognized as often the legal person with first proprietary rights in commentary 5.3)⁴⁹ while at the same time claiming that whether a person has a proprietary right in a VCC is beyond the scope of these principles. As demonstrated under our comment no. 4, this is not clearly settled. There are even certain jurisdictions where VCC ownership may flow to Indigenous Peoples due to their occupation and exclusive use of natural resources on lands where VCCs are generated⁵⁰. In doing so, UNIDROIT is affirming an assumption held by certain actors within carbon markets concerning who has proprietary rights to VCCs. The subsequent claim that the question of proprietary right is a matter for other law puts UNIDROIT in the position to affirm a specific proprietary right as valid and then state that whether a person has a proprietary right is a matter for other law. At the very least, Principle 5 should expressly provide that, where a VCC arises from a project affecting IPs or other relevant rights-holders as defined by the FAO’s VGGTs, the proprietary right contemplated by Principle 5 is subject to the requirements applicable to the creation and issuance of			

⁴⁹ This assumption was pointed to in Verra’s 2025 update to the VCS standard: Verra, “PUBLIC CONSULTATION ON VERSION 5 OF THE VERIFIED CARBON STANDARD PROGRAM,” June 26, 2025, pg. 25. <https://verra.org/wp-content/uploads/2025/06/June-2025-Public-Consultation-on-Version-5-of-the-VCS-Program.pdf>.

⁵⁰ Brazil is one example: Leonor Costa, “Senate approves bill creating formal carbon credit market in Brazil”, Instituto Socioambiental, November 14, 2024. <https://www.socioambiental.org/en/socio-environmental-news/Senate-approves-bill-that-creates-a-formal-carbon-credit-market-in-Brazil>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		that VCC and to the rights and interests arising under the law applicable to the underlying project. In particular, the proprietary right contemplated by Principle 5 should arise upon registration <u>only where</u> the VCC has been created and issued in accordance with applicable international and domestic law, including Host-State law, and applicable CB social and environmental safeguards governing the underlying project, as verified or otherwise assessed in accordance with the relevant VVB framework and applicable verification or validation procedures. Registration should not, in itself, cure non-compliance with such requirements, nor should it extinguish, prejudice or otherwise displace rights or interests arising under the Host-State law in favor of Indigenous Peoples or other relevant rights-holders merely because such persons are not the first registered holder of the VCC.			
280.	Principle 5(1) (Creation of a VCC and regulatory recognition)	It is suggested to clarify that the creation of a VCC through its recording in a VCC registry for the purposes of the principles does not constitute regulatory recognition of the VCC by the State in whose jurisdiction the underlying mitigation activity is carried out. States should remain free to require compliance with domestic registration, verification, certification, authorization or other regulatory requirements as a condition for recognizing the VCC for legal, regulatory or climate-related purposes	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
281.	Principle 5(1)–(2) (Conditions and first entitlement)	Make creation expressly subject to all requirements in Principle 2, including the proposed quality and disclosure duties. Registration must not independently validate missing	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		or defective verification, approval or authorisation requirements. Attach the credit classification and relevant assessment records when the unit is first credited. Qualify the first-holder rule so that crediting an account does not, by itself, extinguish pre-existing rights to project benefits, including legally protected landholder, community and Indigenous interests. Require evidence of authority to receive the units and preserve applicable challenges, restitution and benefit-sharing entitlements. Distinguish those underlying rights from proprietary rights in the newly created unit. Correct Commentary 5.1's references to Principle 2(1)(c) and (e): approval and individuation are in (b) and (d). Align the references to Principle 5(2) and (3) in Commentary 5.3–5.5 with the current two-paragraph operative provision.			
282.	Principle 5, Commentary 5.6—or Principle 1, Commentary 1.2	Landowners and producers are increasingly entering supply-chain, conservation, and sustainability agreements that permit another party to measure, report, or claim carbon reductions or removals associated with the property. Meeting a company's Scope 3 emissions targets, is an example. Some of these agreements may not explicitly transfer carbon rights or rights to generate VCCs. This creates a potential boundary problem with the proposed scope that does not clarify property rights until the VCC exists. Some emerging grassland and rangeland conservation contracts do not clearly distinguish between rights to measure and use emissions data, rights to report or claim a mitigation outcome, and rights to generate, transfer, and/or	Ms Holly Fretwell	Conservation Economist, Visiting Fellow, Hoover Institution, Stanford University Research Fellow, PERC	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		receive economic benefit of a VCC. We are concerned that this ambiguity could result in overlapping or double-counted carbon claims or unintentionally limit landowners' future opportunities to generate value from those outcomes.			
283.	Principles 5 and 6; cf. Principle 14 (Registry)	I recommend that the Working Group consider express recognition — whether in Principle 5, Principle 14, or accompanying commentary — that a registry operator may, acting on the instruction of the competent public authority of the VCC's country of origin, embed an authorization attribute (permitted use, eligible transferee jurisdictions, corresponding-adjustment status) into a VCC at or after its creation. I further recommend that, once embedded, such an attribute be treated as running with the VCC on transfer under Section III, as a matter of disclosure to the transferee. This does not require conditioning the validity of title or transfer as a matter of private law on authorization status; it requires only that presence or absence of authorization be capable of being recorded and disclosed at the level of the instrument itself. GaiaSwap's proposed architecture with Thailand's TGO and DCCE, described in the Practitioner Brief referred to above, illustrates one operationally tested way of implementing exactly this kind of registry-level embedding.	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore
284.	Principles 5 and 7	<u>Issue:</u> Principle 5 uses registration as the basis for the first proprietary right, while Principle 7 permits an innocent acquirer to obtain the credit even where the transferor acted wrongfully and had no proprietary right. This protection may prejudice claims of a State, public authority, landowner, or	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		local community where the original registration occurred without valid authorization or entitlement. <u>Recommendation:</u> Add an exception preventing the innocent acquisition rule from overriding State rights or inalienable public property, the absence of a mandatory host State authorization, land and resource rights that cannot be extinguished by registration, or serious violations of non-waivable environmental and human rights rules. Good faith should also require verification of Article 6 authorization status and recorded host State restrictions and decisions.			
285.	Principles 5-7 (Delivery by registry transfer)	Consistent with Comment [169], these comments recommend that the Commentary confirm that transfer by debit and credit of registry accounts constitutes delivery of the VCC itself, and not merely the assignment of a contractual claim against the registry or crediting body. Standard VCC documentation commonly employs sale, delivery, title and risk-of-loss concepts familiar from physical commodity trading: market standard delivery mechanics require a seller to “sell and deliver” and a buyer to “buy and accept delivery” of VCCs, with title and risk of loss passing from seller to buyer at delivery. Expressly aligning the Principles with that settled transactional practice would give the transfer rules operative content and would avoid the need for implementing States to resolve the delivery question through residual law.	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Jeremy D. Weinstein, P.C.	
286.	Principle 6 (Meaning of transfer: proprietary transfer, transaction and Article 6 transfer)	The Study should distinguish more clearly between a commercial transaction , a proprietary transfer of a carbon unit , and a transfer for Article 6 accounting purposes . These concepts are not necessarily equivalent. Under Article 6 of the Paris Agreement, “first transfer” has a specific accounting meaning and may trigger corresponding adjustment and reporting consequences. A contractual sale or a change in proprietary ownership does not necessarily constitute an internationally relevant transfer under Article 6. We therefore suggest using terms such as “proprietary transfer” where appropriate and expressly clarifying that the proprietary consequences established by these Principles do not determine whether a first transfer or other accounting event has occurred under the Paris Agreement.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
287.	Principle 6	The Draft should consider the possibility that domestic law imposes regulatory restrictions on transferability in order to preserve environmental integrity or national accounting objectives. A clarifying statement could indicate that proprietary transferability remains subject to restrictions lawfully imposed by competent authorities under applicable public law.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
288.	Principle 6	Principle 6 correctly adopts the <i>nemo dat quod non habet</i> rule while preserving commercially recognized exceptions through the “power to transfer” concept and the shelter principle. It would be beneficial to expressly state that such	Government of Pakistan	Ministry of Law and Justice	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		exceptions remain subject to mandatory domestic law governing property rights and third-party protection.			
289.	Principle 6	This Principle is consistent with the general principles of Russian civil law and is applicable to VCCs.	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation
290.	Principle 6(1)	May elaborate the distinction in transfer in case of Emission Reduction Purchase Agreement of VCCs and Mitigation Outcome Purchase Agreement in case of trade under Article 6 with Corresponding Adjustments.	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
291.	Principle 6(2) and Commentary 6.3 (Scope of the power to transfer where agents or other service providers are involved)	It is suggested to clarify that the existence of an agency, representation, intermediation or service-provider relationship does not confer the “power to transfer” referred to in Principle 6(2). The power to transfer proprietary rights in a VCC should depend on the scope of the authority conferred on the relevant person and on applicable law. Accordingly, an authorization to perform technical, operational, financial or commercialization activities relating to a VCC should not automatically be construed as conferring authority to dispose of or transfer proprietary rights in that VCC	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
292.	Principle 6, Commentary 6.2	Add an express limitation to the shelter rule: a transferee’s acquisition of protected title does not cure deficient mitigation, remove a suspension or change credit classification, vintage, durability or authorisation status. The	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Transfer does not cure quality)	rule may resolve competing proprietary claims; it cannot turn an unsupported quantity into a valid mitigation outcome. Require material credit attributes and recorded restrictions to follow each transfer, including transfers through custodians. Relevant remediation rights should be identified as transferable where the governing law permits, with disclosure if a purchaser will not acquire them. A transferor should disclose known material integrity deficiencies before contracting and promptly transmit later notices through the holding chain. Explain that a person may acquire sound title to an asset whose climate-use eligibility is restricted. Such trading must not be represented as acquisition of an unrestricted mitigation benefit.			
293.	Principles 6 and 7 (Transfer and Sale of VCCs)	The UNIDROIT Principles establish a framework under which VCCs may be transferred between holders. The transfer mechanism is linked to the registry, and the Principles recognise proprietary rights in the VCC itself rather than merely contractual claims against a registry operator. The framework also protects certain innocent acquirers, allowing them in specified circumstances to acquire a VCC free from conflicting proprietary claims. This is broadly compatible with Islamic Finance Principles, which permits disposal and transfer of carbon credit certificates for monetary consideration, provided that: 1. the transaction is free from <i>gharar</i>, deception and fraud; 2. the certificates have recognised financial value; and	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailam, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		3. the buyer genuinely intends to use the certificates for greenhouse-gas reduction purposes. The key difference is that UNIDROIT is primarily concerned with legal certainty, whereas the IsDB resolution imposes a substantive Shariah condition concerning the purpose of the transaction. Thus, a legally valid transfer under the UNIDROIT Principles would not automatically be Shariah-compliant. Shariah assessment: Generally compatible, subject to additional conditions. For Islamic finance, a VCC sale should therefore incorporate contractual provisions establishing the eligibility, validity, ownership, quantity, transferability and intended legitimate use of the VCC.			
294.	Principles 6 and 7 (Genuine Use Versus Investment and Speculation)	This is one of the most important areas of difference. The IsDB Shariah Board expressly ruled that carbon certificates: may be traded among parties who genuinely utilise them for reducing greenhouse-gas emissions; but may not be traded merely for investment purposes, nor sold to parties where genuine utilisation cannot reasonably be expected. The UNIDROIT Principles, by contrast, deliberately create a legal framework capable of supporting primary and secondary markets, including transfers through exchanges. The document notes that VCCs may be traded in secondary	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailem, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		markets and that buyers can include market intermediaries intending to resell VCCs. From the perspective of Islamic Finance, this is an important point of divergence. A conventional legal framework may permit a secondary market in VCCs for investment and liquidity purposes, whereas the Islamic Finance principles (as per the IsDB Shariah resolution) restricts trading where the purpose is merely investment or where actual environmental use is not reasonably expected. Islamic finance implication An Islamic financial institution should not assume that all transactions permitted under the UNIDROIT Principles are Shariah-compliant. In particular, it should distinguish between: • purchase for genuine environmental use → potentially permissible; • purchase to finance genuine carbon-reduction activities → expressly contemplated as permissible; • purchase purely for speculative appreciation → not permissible under the Islamic Finance principles; • sale to an entity with no genuine intended use → not permissible under the Islamic Finance principles. This distinction should be explicitly reflected in carbon-market documentation whenever an Islamic Finance institution is concerned.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
295.	Principle 7	Principle 7 represents a “deliberate policy choice favouring transactional certainty over strict protection of proprietary claims.” It should be approached with caution, given its potential implications for the environmental validity of carbon credits. In particular, this policy choice can have a negative effect on areas traditionally occupied by Indigenous Peoples and traditional communities, given their vulnerability and their relation with the environment. In Brazil, Law No. 15.042/2024, art. 47, regulates carbon credits generated in these areas and establishes requirements for their validity, such as the free, prior and informed consultation. Art. 43 provides for the original ownership of Indigenous peoples and traditional communities over the carbon credits generated in these areas. Special caution is required concerning the application of the innocent acquisition principle in this particular context.	Government of Brazil	Ministry of Foreign Affairs	Brazil
296.	Principle 7 (Innocent acquisition, traceability and environmental integrity)	We recommend reconsidering whether an innocent acquisition rule should apply without qualification to VCCs subject to regulatory, environmental integrity or international accounting requirements. Principle 7 appears to allow an acquirer to obtain proprietary rights even where the transferor obtained the VCC through fraud, breach of fiduciary duty or unauthorized access to a registry account. While transactional certainty is important, carbon markets also require environmental integrity, traceability and effective remedies against fraud, double counting and invalid issuance. At a minimum, innocent acquisition should not prevent a competent authority, crediting mechanism or registry from applying mandatory cancellation, revocation,	Government of Colombia (Adriana Gutiérrez Bayona)	Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		correction, suspension or other measures required under the applicable framework. Protection of the proprietary interests of an innocent acquirer should not be interpreted as validation of the environmental integrity or regulatory status of the unit.			
297.	Principle 7	In addition to fraud-related concerns, the innocent acquisition rule may create challenges where registry entries originate from material failures in due diligence concerning community rights, free prior informed consent, or mandatory benefit-sharing obligations. The commentary should consider whether certain categories of fundamental defects warrant treatment distinct from ordinary defects in title.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
298.	Principle 7	The treatment of innocent acquisition (Principle 7) may create tension with situations involving invalid environmental claims, lack of authorization, double counting or failures in national registration systems. A saving clause preserving mandatory climate and environmental controls is advisable.	Government of Colombia	Álvaro Revelo Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
299.	Principle 7	The revocation regime focuses on fraud and nullity. For Colombia, additional references could be made to environmental integrity failures detected through MRV systems regulated under Resolution 1447 and related instruments.	Government of Colombia	Álvaro Revelo Mitigation group - Climate Change and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
300.	Principle 7 (Innocent acquisition and regulatory consequences)	It is suggested to reinforce the clarification that the protection afforded to an innocent acquirer is limited to the proprietary effects arising from the transfer of the VCC and does not affect the application of relevant regulatory rules. Accordingly, such protection should not be construed as validating the existence, eligibility, environmental integrity or regulatory status of the VCC, nor should it prevent the application of cancellation, revocation, corrective, suspension or other measures provided for under applicable law or the applicable regulatory framework.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
301.	Principle 7	The scope of protection for an innocent acquisition is intended to protect innocent acquirers against competing proprietary claims that might arise in a transfer process. The protection does not address issues related to the <u>existence</u> of a VCC. Commentary para. 7.13 expressly confirms that the innocent acquisition rule is not intended to rectify defects that would render a VCC liable to “revocation” (cancellation) “because it demonstrated that the constitutive acts were absent or not genuinely present, or were procured by deliberate wrongdoing (see principle 10)”. The rule expressly operates on the assumption that the VCC is valid. This contrasts with principle 10 revocation, which would mean that a VCC can be permanently cancelled with retrospective effect (the “revocation”) where it is later shown either that	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the VCC was created as a result of deliberate wrongdoing in its verification, approval, crediting, or individuation, or that its creation was a complete nullity. Principle 10(4) provides that a revoked VCC is treated as void from the outset and as never having been the subject of proprietary rights. See below on Principle 10.			
302.	Principle 7	Commentary 7.10 notes that the scope of innocent acquisition rules is materially restricted in all legal systems and that most systems do not extend such protection to intangible property, instead applying a strict nemo dat rule. Russian law is one of those systems. Article 302 of the Civil Code appears in Chapter 20 on rights in rem and concerns recovery of a tangible thing from another person's unlawful possession; its application presupposes possession as a factual state. A VCC is not a tangible thing and falls within the category of other property under Article 128 of the Civil Code (see our more detailed comment on Principle 3). Outside the law of rights in rem, Russian law protects a good-faith acquirer only where legislation provides such protection expressly and specifically: for uncertificated securities, in Article 149.3 of the Civil Code, and for participation interests in a limited liability company, in Article 21(17) of Federal Law No. 14-FZ of 8 February 1998. There is no general rule extending such protection to all property recorded in a registry. The practical result is that the reference in Principle 7(4)(c) to 'requirements equivalent to those found in the relevant good faith acquisition and take-free rules as specified by the relevant State' may have no corresponding body of national law for VCCs: there are no rules specifically applicable to this	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		class of asset, while the rules applicable to tangible things cannot be applied to it. Principle 7 would therefore be inoperable without specific implementing legislation, just as Principle 3 depends entirely on further legislative measures. Importantly, Russian law can achieve the required result by the same technique of parallel regulation used for uncertificated securities: Article 149.2 of the Civil Code ties transfer of rights to the entry in the acquirer's account, Article 149.3 defines the limits of recovery, and Article 149.5 addresses the consequences of loss of registry records. Structurally, this set of rules corresponds to Principles 5, 6, and 7 taken together. At a general level, however, the innocent-acquisition model in Principle 7 is consistent with the approach of Russian law. The nemo dat rule, subject to an exception for a good-faith purchaser for value, is reflected in Article 302 of the Civil Code for tangible things and Article 149.3 for uncertificated securities, where protection, as in Principle 7(4)(a)-(b), is linked to the account record. The exclusion of gratuitous acquisitions in Principle 7(5)(a) corresponds to Article 302(2), while the exception for transfers involving the grant of a security right in Principle 7(5)(b) corresponds to the second paragraph of Article 335(2), which preserves a pledge granted by an unauthorized person where the owner would not be entitled to recover the property under Article 302.			
303.	Principle 7	I recommend that the commentary to Principle 7 confirm that an innocent acquirer's protection as to title does not extend to conferring on the acquirer a better authorization status than the transferor in fact held. Authorization, as I	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		describe in my comments on Principle 2(1) and Principle 14, is not a private-law attribute a transferor is capable of warranting into existence by disposition, and innocent acquisition doctrine — designed to protect reliance on apparent title — should not be read to manufacture a public-law permission that was never granted.			
304.	Principle 7(4)(c) (Equivalent requirements for innocent acquisition and purchaser due diligence)	It is suggested to clarify that the requirements for innocent acquisition under Principle 7(4)(c) operate without prejudice to due diligence duties that applicable law may impose on an acquirer of a VCC. Where domestic law so provides, compliance with such duties may be relevant in determining whether the acquirer satisfies the applicable standard of good faith or knowledge required to benefit from the protection afforded under Principle 7. In any event, the application of such proprietary protection should not exclude any consequences that applicable law may attach to a failure to comply with regulatory due diligence obligations.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
305.	Principle 7(4); Commentary 7.4–7.10 (Innocent acquisition)	Do not treat registration alone as adequate evidence of innocence. Add a harmonised minimum requiring reasonable inquiry into readily available title warnings and authority to transfer, calibrated to a purchaser’s sophistication. Known disputes, irregular transfers and evidence of unauthorised appropriation should trigger further inquiry. Relevant registry warnings must be accessible if they are to support notice. Expressly preserve environmental suspension and correction independently of purchaser innocence, consistently with Commentary 10.25. Good title should not validate a defective outcome. Clarify the treatment of stolen VCCs rather than automatically importing the broadest	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		negotiability rule; the draft itself recognises that many legal systems protect dispossessed owners. Where a take-free rule defeats an original holder's rights, recommend an effective compensation mechanism rather than assuming a personal claim against an insolvent or absent wrongdoer is adequate. Protect lawful community entitlements from extinguishment through transfers designed to evade them.			
306.	Principle 7(4)(c); Commentary 7.9 and 7.10	Principle 7(4)(c) requires an innocent acquirer to comply with requirements equivalent to the relevant State's existing good faith acquisition and take-free rules. The policy is sound: it allows States to integrate VCC transfers into their existing frameworks. Our observation is not directed against the referral but against the absence of guidance as to what satisfies it. Commentary 7.9 records that in many civil law jurisdictions acquisition a non domino requires the acquirer to obtain possession of the movable property, and Commentary 7.10 records that most systems do not extend good faith purchaser protection to intangible property, subjecting it to a strict <i>nemo dat</i> regime. Read literally, and without further guidance, those two features might suggest that the referral points to a body of rules that no VCC transfer can satisfy. We do not think that conclusion is warranted, and the reason is found in the instrument on which the present draft is built. First, the requirement of an act analogous to the taking of possession was, from the outset, understood as capable of being satisfied by control. As the commentary on Principle 8 published by this Project records, the Working Group on	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Digital Assets identified at its first session that the second requirement of innocent acquisition was that there be something analogous to the taking of possession or to material delivery, the latter identified as <i>traditio</i>, and concluded that this analogous event could be the control of an electronically transferable intangible asset as defined by the UNCITRAL Model Law on Electronic Transferable Records. The same Commentary states the proposition in general terms: "Control is functionally equivalent to the possession of movable property." Second, and decisively for civil law systems, their rules on good faith acquisition are not in fact framed in terms of material delivery alone. The same Commentary observes that Article VIII.-3:1001(1)(b) of the Draft Common Frame of Reference refers to "delivery or equivalent of delivery", an expression which connects with the Roman <i>traditio</i> so deeply rooted in civil law legal cultures, and concludes that all the requirements of Principle 8 are reflected in Chapter 3 of the DCFR. Civil law good faith acquisition is therefore open to an equivalent of delivery; what it lacks, in relation to registry-based intangibles, is an indication of what performs that role. We therefore should suggest that the Commentary to Principle 7(4)(c) states expressly that, for the purposes of applying a State's good faith acquisition and take-free rules to VCCs, the crediting of the VCC to the acquirer's registry account performs the function that delivery, or its equivalent, performs in relation to corporeal movables. Commentary 7.7 already describes the registry requirement as serving a public notice function analogous to that of possession; we suggest that this analogy be carried through			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		to the operative referral in Principle 7(4)(c), and not left at the level of description. Commentary 7.10 itself points in the same direction. It observes that money and negotiable instruments benefit from particularly generous good faith acquisition rules across jurisdictions. The reason is instructive: in the case of negotiable instruments the protected appearance is not ownership of the paper but the possession of the instrument coupled with a regular chain of endorsements, which is to say a factual position of exclusive control evidenced by a record. The instrument is protected not because it is corporeal but because the holder's position is externally verifiable and exclusive. Guidance of this kind would be consistent with Article 11 of the UNCITRAL Model Law on Electronic Transferable Records, which treats control as the functional equivalent of possession, and with Principle 8 of the DAPL on innocent acquisition. It would also ensure that the innocent acquisition rule operates uniformly across legal traditions rather than unevenly.			
307.	Principle 7(4)	The Contradiction. Commentary 7.2 expressly lists "unauthorised access to another person's registry account" as one of the wrongful means by which a transferor may obtain a VCC, and Commentary 7.3–7.4 confirm that a subsequent transferee can still be an innocent acquirer notwithstanding that origin. However, Commentary 7.10 separately states that "stolen property is typically excluded from take-free rules in most jurisdictions, thereby preserving the rights of dispossessed owners against innocent third parties," while "money and negotiable instruments generally	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		benefit from particularly generous good faith acquisition rules." Principle 7(4)(c) then defers the operative standard entirely to "requirements equivalent to those found in the relevant good faith acquisition and take-free rules as specified by the relevant State," without indicating which analogy (stolen tangible property, or negotiable instruments) applies to a VCC obtained through registry-account compromise. A hacked registry account is functionally a theft of the intangible asset; and if left unresolved, an enacting State could read Principle 7(4)(c) either way, and thus reproduce the very harmonisation failure the Principles exist to prevent and this matters acutely given that unauthorised account access is a leading loss vector for registry-based and digital asset classes. Recommendation. Add commentary confirming that a VCC obtained through unauthorised registry-account access sits on the negotiable-instrument/negotiable-security side of the Commentary 7.10 spectrum (consistent with the drafters' own examples at 7.2–7.3) rather than the stolen-tangible-goods side. Suggested drafting language. (new Commentary 7.10bis): "For the avoidance of doubt, the comparative observation in Commentary 7.10 that stolen tangible property is typically excluded from take-free rules does not extend to a VCC obtained through unauthorised access to a registry account. Consistently with Commentary 7.2–7.3, a VCC obtained by unauthorised registry-account access is to be treated, for the purposes of Principle 7(4)(c), in the same manner as other intangible or dematerialised assets that benefit from generous good-faith acquisition protection."			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Key Reference. <i>Uniform Commercial Code (UCC) § 8-303.</i>			
308.	Principle 7; Commentary 7.13	Commentary 10.25 already states that Principle 7 cannot bring into existence a VCC that never existed. The respondent seeks no substantive expansion of that proposition. To make that existing limit readily accessible, Commentary 7.13 could cross-refer to Commentary 10.25 and Principle 10(1)(b), including the capacity illustration proposed in Comment 9 if, and only if, the express textual bridge in Comment 4 or Comment 7 is adopted.	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye
F. Section IV: Retirement and Cancellation (Principles 8-12)					
309.	Principles 8–12 (Retirement, cancellation and regulatory/accounting consequences)	The Principles should recognize that retirement, cancellation, revocation and other registry actions do not have uniform meanings or consequences across carbon-market frameworks. Under Article 6, for example, authorization, first transfer, transfer, acquisition, use towards an NDC, use for other international mitigation purposes and voluntary cancellation constitute distinct actions with different accounting consequences. We therefore suggest expressly clarifying that the proprietary effects established by these Principles do not, by themselves, determine or reverse the regulatory or accounting consequences of such actions under the Paris Agreement or other applicable public-law frameworks.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
310.	Principles 8-12 (General)	"Retirement" and "Cancellation" to ensure consistency with terminology used under the Paris Agreement, Article 6 mechanisms, and recognised international carbon standards.	Government of Pakistan	Ministry of Law and Justice	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Uniform terminology will reduce interpretative disputes in cross-border transactions.			
311.	Principle 8	The Draft should encourage preservation of publicly accessible retirement records for long-term traceability purposes. Retirement should not result in the loss of information necessary for environmental accounting, auditing, market oversight, claims verification, and prevention of double counting.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
312.	Principle 8	It is not clear to us that there was a need for a PIL provision on retirement. The principle as it is written is somewhat tautological if read against the definition of “retirement”. Yet, more importantly, why is only one type of VCC use , i.e., retirement set out as a principle in its own right, no other uses that deprive the VCC of its core functionality (e.g., surrender, conversion). And why would and should retirement have the proprietary effect of relinquishment as if the essence of a VCC was its proprietary nature instead of what it represents and for what it can be used. The proprietary nature is there because VCCs stand for something, and that something may also be the specific use. But again, in our view, a provision on retirement may be obsolete altogether.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
313.	Principle 8	Double claiming consideration	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Since principles on proprietary rights should not exist in a vacuum, a link to other considerations – particularly related to the demand side of the carbon market – should be made more explicit in some cases. For example, with regard to the link between the extinguishment of proprietary rights upon retirement of a VCC and the issue of double claiming⁵¹. Principle 8 appears to assume that there is only one registered holder of a VCC and when a VCC is retired by this registered holder, it is no longer capable of being the subject of a proprietary right. The principles and commentary should make this point more explicit and flag to States (and other relevant market actors, such as registries and standards) that the risk of double claiming presents a significant problem regarding proprietary right: once a VCC has been retired by its authorised holder and the proprietary right has extinguished, other parties may nevertheless make a climate claim based on the climate benefit represented by that same retired VCC, even though they may not have been the authorised holder. Principle 8's commentary should therefore encourage States and other stakeholders to ensure the risk of double claiming does not materialise in order to prevent multiple claims based on the retired VCCs. An additional principle, and related commentary, should thus be developed clarifying that no double claiming shall be permitted, for instance such			

⁵¹ The "Carbon Credit Quality Initiative" or "CCQI" defines [double claiming](#) as "A situation in which the same emission reduction or removal is claimed by two different entities towards achieving mitigation targets or goals: once by the country or jurisdiction where the emission reduction or removal occurs by reporting lower emissions or higher removals when tracking progress and demonstrating achievement of its mitigation target or goal, and once by the entity using the carbon credit".

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		that: any VCC used to satisfy a compliance obligation, ⁵² and/or to offset any emissions, and/or to otherwise represent lower emissions on behalf of the buying entity (e.g. in marketing, sustainability reporting), shall not be double claimed, meaning that the VCC has been subject to the application of corresponding adjustments as regulated under Article 6 of the Paris Agreement in Decision 2/CMA.3 , Decision 6/CMA.4 , Decision 4/CMA.6 , and Decision 19/CMA.7 .			
314.	Principle 8	I recommend that the treatment of retirement under Principle 8 recognise that a private-law transfer or retirement of a VCC may be fully effective as between the parties while remaining, in practice, what I would describe as 'climatically void' — that is, without effect on any country's nationally determined contribution accounting — where the corresponding adjustment has not been separately authorized by the credit's country of origin. This is not a recommendation that retirement's private-law validity be made conditional on authorization; it is a recommendation that the commentary flag the distinction, since market participants otherwise risk conflating a valid private-law retirement with an internationally recognised mitigation claim, which are legally and practically different things.	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore
315.	Principle 8(1)	Are use and retirement items that require clarification from a PIL point of view? If so, would this non-proprietary right scenario create a fiction (as if the VCC disappeared) rather than describe what happens in practice: The credit is taken	Government of Germany		Germany

⁵² For example, when carbon credits are integrated in a carbon tax or emissions trading system, or form part of other regulatory instruments like the Carbon Offsetting and Reduction Scheme for International Aviation.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		out of circulation, is marked as retired and can no longer be transferred. From the perspective of the ultimate user, it would also seem appropriate to recognize the proprietary holding (with use and transferability exhausted).			
316.	Principle 8(1), (3)–(5) (Retirement and claims)	State expressly that retirement records a unit's withdrawal from circulation; it does not certify a purchaser's emissions reduction, carbon neutrality, net zero or compliance. Whether a claim is permissible depends on the credit's quality, type, accounting status and applicable use rules. Correct Commentary 10.4's implication that retirement itself enables a climate claim. Require an enduring retirement record identifying the serial numbers, beneficiary, date, purpose, relevant reporting period and material credit attributes. Record whether retirement supports a contribution, a specified compliance use or a claimed compensation purpose. Prevent conflicting allocation of the same benefit to multiple beneficiaries, including through intermediaries and tokens. Make retirement instructions subject to recorded suspensions and legally applicable integrity restrictions. A deficient unit may need administrative closure or cancellation, but it should not receive an unqualified retirement certificate suggesting delivery of a valid mitigation benefit.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
317.	Principle 8(6)	It seems difficult to allow for restoration once the VCC has been terminated but this clause suggests it is possible. Perhaps the more coherent approach would be to restrict any claims and remedies concerning a retired VCC and/or provide for a mechanism akin to Art. 36 of the EU Registry	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Regulation (cf. above): “The fungibility of allowances shall imply that any recovery or restitution obligations that may arise under national law in respect of an allowance shall only apply to the allowance in kind...” (Note: The commentary does not seem to include language on 8.6 but on “retirement certificates”. Is that intended?			
318.	Principles 8(6) and 9(6) (Erroneous retirement or cancellation)	Constrain restoration to demonstrable administrative error under a transparent, reviewable process. Before a unit is restored, require reconciliation of the original record, any replacement units and any claims, certificates or compliance submissions already made. Obtain confirmation from the relevant beneficiary and, where necessary, the relevant authority that the earlier use has been withdrawn or otherwise resolved. Preserve the complete history of the erroneous entry, correction and reasons. Reusing the same serial number must not erase that history. Restoration should not permit a new purchaser to use a credit while the original beneficiary continues relying on its retirement. Leave monetary remedies for wrongful cancellation available under other law, but explain that compensation need not entail restoration where restoration would create double use or revive a substantively invalid mitigation claim.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
319.	Principles 8 and 9	Recommend the commentary explicitly address reversal-risk mechanics for engineered geological storage projects (e.g. CCUS, saline aquifer storage) separately from biological reversal risk (e.g. forest fire), since permanence and monitoring profiles differ materially and a uniform buffer-	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		pool approach may not reflect actual risk for geological storage.			
320.	Principles 8 and 9	Distinguishing retirement from cancellation The draft distinguishes the two by reference to two factors: whether the VCC is used (retirement: yes; cancellation: no) and whether extinction depends on the holder's will (retirement: always; cancellation: only in the case of voluntary cancellation). A third consequence follows: only cancellation for revocation operates retrospectively (Principle 9(5) and Commentary 9.5), while retirement and voluntary cancellation operate prospectively from the time the relevant registry entry is made. We support this distinction. It is necessary because the consequences of the three grounds for cancellation brought together in Principle 9(1) differ materially. Russian law contains an institution of retirement that is substantively equivalent to Principle 8. Under Article 2(19) of Federal Law No. 296-FZ of 2 July 2021, retirement is defined as cancellation of carbon units by debiting them from the owner's account and crediting them to an account for units withdrawn from circulation; the owner may decide to retire carbon units in order to reduce its carbon footprint (Article 11(3)). Practical confirmation of the need for the distinction Russian legislation has no separate institution corresponding to cancellation and uses the term 'cancellation' only to describe the mechanics of retirement. Under Article 2(19) of Federal Law No. 296FZ, retirement is the cancellation of carbon units by debiting them from the owner's account and	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		crediting them to the account for units withdrawn from circulation, and that account is itself designated for retirement (Article 2(15)). As a result, every extinction of a unit must formally be recorded as retirement even where, in substance, no retirement has occurred. This produces two observable difficulties. First, when an account is closed following termination of the agreement with the operator, carbon units are cancelled and credited to the account for units withdrawn from circulation (Article 10(9) of Federal Law No. 296-FZ), even though no one claims or uses the mitigation outcome. Second, under paragraph 9 of the Rules for Transactions by the Operator with Carbon Units on the Reserve Account, approved by Resolution No. 994 of the Government of the Russian Federation dated 10 August 2026, units debited from the reserve account may be transferred only to the account for units withdrawn from circulation. Coverage of a reversal — an operation that by its nature restores a balance rather than evidences the use of an achieved mitigation outcome — is therefore recorded in the same way, and under the same registry category, as retirement by a holder to reduce its own carbon footprint. The distinction drawn by Principles 8 and 9 by reference to use of the unit and the holder's intention is not reflected in the registry data. This confirms that distinguishing retirement from cancellation is not merely doctrinal. If national law does not preserve that distinction, extinction of units for reasons unrelated to claiming a mitigation outcome distorts aggregate data on retired units. We suggest that the Commentary to Principle 9 should make this point expressly			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		by stating that separate registry treatment of retirement and cancellation is necessary for the reliability of data on mitigation outcomes claimed on the basis of VCCs. Absence of an analogue to Principle 9 A functional analogue of cancellation has appeared in Russian law, but only in a narrow context. Under paragraphs 9 and 10 of the Rules for Transactions by the Operator with Carbon Units on the Reserve Account, approved by Resolution No. 994 of the Government of the Russian Federation dated 10 August 2026, when greenhouse gases are released, units are debited from the reserve account to the account for units withdrawn from circulation in a specified order: first, units issued for the project in which the release occurred; then units issued for other projects of the same implementer, starting with those credited earliest; and only then other units held in the reserve account. In substance, this is extinction of units irrespective of the holder's will and without any claim to a mitigation outcome. It therefore corresponds to cancellation within Principle 9, rather than retirement within Principle 8. Notably, the waterfall follows the same logic as Principle 10(7). The mechanism, however, applies only within the reserve account and only to climate projects exposed to reversal risk. Russian legislation provides neither for revocation within Principle 10 nor for voluntary cancellation within Principle 12. The reason is general and explains why the new mechanism is limited in this way: Russian law recognizes arrangements in which a right holder's declaration, combined with an act of the person maintaining the register, extinguishes the object itself prospectively, but only where legislation			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		expressly provides for them — for example, early termination of a patent at the patent holder's request (Article 1399 of the Civil Code) and termination of trade mark protection at the right holder's request (Article 1514(1)(5)). There is no general rule. Article 236 does not extinguish the object (a tangible thing becomes ownerless under Article 225), Article 235 contains a closed list of grounds for termination of ownership, and redemption of uncertificated securities is always connected either with performance of an obligation or with a corporate decision of the issuer and cannot be effected solely by the holder's unilateral will. Principle 8 is compatible with Russian law precisely because retirement is expressly provided for by Federal Law No. 296-FZ, and debiting from the reserve account is expressly provided for by Government Resolution No. 994. Outside those specifically prescribed cases, Principle 9 cannot operate without corresponding legislation (see also our comment on Commentary 2.37).			
321.	Principle 8 and 12	The Draft would benefit from clarifying whether retired or voluntarily cancelled VCCs remain traceable across linked registries, tokenized systems, and market infrastructures. Traceability after retirement is essential to market integrity and accountability.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
322.	Principle 9	A stronger PIL rationale, in our view, can be made for instances of cancelation, as a key type of cancelation	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		instances (revocation, see also below) goes against the will of the holder. When it comes to the proposed section 9.6, however, we would raise the same points as for 8.6: Better not allow for restoration of the VCC concerned.			
323.	Principle 9	Given how rare it is in the real world to find a case of VCC cancelation, the soft law instrument must better describe why there is a need for a principle on cancelation in the first place. This need has to be checked not just against global practice but also against its rationale (<i>cui bono</i>), and the effects on the market infrastructure as a whole. There are few cases in which cancellation should be considered possible, in our view, and fewer still that require the write-up of PIL rules. There is little need for a provision on voluntary cancelation, for instance (certainly not on the technicalities of voluntary cancelation). Maybe a more stringent approach would be to limit the consideration of cancellation to obvious flaws in the crediting process and material violations of safeguards (see further on revocation below).	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
324.	Principles 9(1)–(4) and 12 (Cancellation and audit trail)	Support cancellation under other law in Principle 9(1), and expressly include cancellation under the revised overissuance and reversal provisions. Reconcile this permission with Principle 11(2), which otherwise appears categorical. Require retention of a permanent, publicly accessible status record: delete the conditional “if it retains a record” in Principles 8(3)(a) and 9(4)(a). Use distinct cancellation reason codes for invalidity, reversal remediation, overissuance correction, voluntary mitigation contribution and registry migration. Units cancelled to remedy a prior deficit cannot also support an independent	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		offsetting claim. Migration cancellation should not be counted as a new climate contribution. Retain whole-unit treatment, with a conservative rule for rounding aggregate shortfalls and a method for allocating affected serials. Pro rata loss allocation must not result in missing fractions escaping correction. Align Commentary 9.1's voluntary-cancellation reference with Principle 12.			
325.	Principle 10 (Revocation and retrospective extinction of proprietary rights)	The proposal that revocation may result in a VCC being treated as never having existed for proprietary purposes deserves further consideration where the unit has already been transferred, used or subjected to regulatory accounting. The Study should distinguish correction of the private-law status of the unit from correction of the underlying mitigation and accounting records. A retrospective proprietary rule cannot necessarily reverse reporting, authorization, corresponding adjustments or other regulatory consequences that may already have occurred under the applicable carbon-market framework. We suggest expressly providing that private-law extinction or revocation does not, by itself, reverse any regulatory, accounting or reporting consequence.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
326.	Principle 10	Revocation provisions should expressly address potential implications for national inventories, climate reporting, corresponding adjustments, and related public-law accounting consequences. Although private-law consequences are distinguished, a clarifying statement would reduce uncertainty where revocation concerns VCCs that have already been relied upon for national or international climate purposes.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Sustainable Development	
327.	Principle 10	See discussion above on Principle 7 and the protection for over-issuance in Principle 11. No equivalent protection appears to exist for the purchase of the VCC in the circumstances identified for revocation. We note that the grounds upon which this type of cancellation (which is <i>ab initio</i>, from the outset) have now been limited. However, Principle 10(1)(a) (deliberate wrongdoing) appears to be subjective and vague while 10(1)(b) (a complete nullity) appears to create unnecessary uncertainty, notwithstanding that the commentary considers that it will be rare. Removing this potential cancellation outcome or providing for a time bar equivalent to that in Principle 11 as a limitation mechanism for Principle 10, so that for a defined period, a downstream good-faith holder is not exposed to retrospective revocation for circumstances in which it had no involvement and could not reasonably detect. Otherwise, this may have a material detrimental effect on the secondary market, which would be contrary to the purpose of the Principles.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
328.	Principle 10	The “snapshot approach” proposed by the Principles rests on certain assumptions: 1. The centrality of the various registries and Crediting Bodies⁵³ to UNIDROIT’s approach	GenZero	Ms Sim Ting Head, Corporate Services Group and General Counsel	Singapore

⁵³ Currently, the two main Crediting Bodies have registries as part of their operations. For ease, we have sometimes used “Crediting Bodies” interchangeably with “registries”. We recognise that there are independent registries.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		- The discussions and the commentary on issues relating to the “snapshot approach” and the survival of the intangible property despite being shown subsequently that creation requirements were never satisfied, are dependent on integrity of the registries and their operations. The Principles should make clear the core assumption that the major Crediting Bodies and registries would align with, and harmonise their terms, with UNIDROIT’s characterisation. Certain statements such as “when a VCC registry cancels a VCC for revocation, it <u>must</u> make an entry indicating that the cancellation is retrospective to the time of creation” would be commercially certain only if also accepted as a matter of registry practice (and not just the law of an enacting State). - Although we understand that the 2 main Crediting Bodies / registries have been involved in the UNIDROIT Working Group process. It seems like an implicit assumption that: (1) the private registries are in full alignment with UNIDROIT; and (2) the law of the place of the registry (which is a system quite apart from the registry itself) would accept and implement the Principles. 2. To a large extent, registry practice eliminates the technical distinctions that UNIDROIT has laboured over. At minimum, registry practice reduces the doctrinal risk associated with the “snapshot approach”.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		We understand there is much discourse on the difficulty of application of traditional property law principles where VCCs are deemed void ab initio (but may still exist in the carbon system). In practice, the operating principles of VCC registry would already give some guidance as to how incidences of fraud, integrity, or over-crediting would be dealt with. Where there is over-issuance or circumstances in which a VCC no longer meets the definition, there is understanding that the cancellation is generally not the original credits that have been reversed or revoked. A number of different mechanisms could, depending on the registry, be at play. These may be to: (i) cancel a buffer pool or equivalent credits to the size of the reversal;⁵⁴ (ii) deducting from future issuances from the same project; or (iii) retire other issued credits in the registry in circulation (outside of buffer).			
329.	Principle 10	Principle 10(1)(b) and the categories of the Russian Civil Code Principle 10(1)(b) addresses a situation in which a purported act of creation produced no legal effect because one or more of the constitutive acts required by Principle 2(1) was absent (Commentary 10.16). In Russian law, the closest category is invalidity, and more specifically nullity. Under Article 166(1) of the Civil Code, a void transaction is invalid irrespective of whether a court has declared it invalid; under Article 167(1), an invalid transaction produces no legal consequences other than those connected with its invalidity and is invalid from the moment it was made. The latter rule closely corresponds	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

⁵⁴

See, for instance, the Verra VCS Registration and Issuance Process v5, Section 5.3.5(1).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		to Principle 10(4). There is, however, an important qualification. Under the Civil Code, invalidity applies only to transactions (section 2 of Chapter 9) and resolutions of meetings (Chapter 9.1). The creation of a VCC is neither. It is a composite set of legal facts involving acts by several persons and a registry entry. Russian legislation contains no general category of an invalid legal fact, although the concept is recognized in legal scholarship and particular manifestations are provided for in relation to specific assets (see below). In our view, when the expression 'complete nullity' is translated and implemented, it should be understood as nullity of the creation of the VCC, with an express indication that what is absent is the requisite composite legal basis for creation, not that a transfer transaction is invalid. Otherwise, Principle 10(1)(b) risks being conflated with defects in contracts for the transfer of VCCs, which it expressly does not cover (Commentary 10.19). Legal consequences: comparison with the extinction of registry-based assets Russian law permits an object of civil rights to be treated as never having existed because of a defect present when it arose only where legislation expressly so provides. Examples are invalidation of a securities issue, which results in withdrawal of the securities from circulation and return to holders of funds received by the issuer (Article 26 of Federal Law No. 39-FZ of 22 April 1996), and invalidation of a patent, which is then treated as invalid from the filing date (Article 1398 of the Civil Code). There are two points of similarity with Principle 10: retrospective effect and the inability to			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		cure the defect through a later registry entry (Commentary 10.19), which accords with the general approach of Russian law that a transfer entry cannot itself create a right where the underlying legal basis is absent. There are, however, two important differences. The first concerns the person who may effect cancellation. Principle 10(3) permits a VCC to be cancelled for revocation by the CB under its own rules, which will commonly mean cancellation by a private person outside judicial proceedings. Both Russian analogues are structured differently: invalidity of a securities issue is established by a court or the registration authority, while invalidity of a patent is determined by Rospatent or a court. Russian law does not recognize extinction of an object of civil rights by a decision of a private registry administrator and, in our view, such a power would be impermissible without an express legislative basis. The second concerns protection of persons who relied on the object's existence. Russian law consistently mitigates the consequences of retrospective extinction: Article 26 of Federal Law No. 39-FZ provides for the return to holders of funds received by the issuer; Article 1398(4) of the Civil Code preserves licence agreements to the extent performed before the patent was invalidated; and challenges to a securities issue are subject to a shortened limitation period. Principle 10(5), by contrast, neither creates personal rights nor determines their content (Commentary 10.24), and Principle 7 does not apply to revocation at all (Commentaries 10.25-10.26). A holder that acquired a VCC for value and in good faith may therefore lose the unit without any			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		guaranteed compensation. Our observations on Introduction paragraphs 48-50 and Principle 11 apply here in full. Issuance of carbon units without a separate approval act does not constitute complete nullity Commentary 10.16 treats as a case of complete nullity a purported approval given by a body that was not the relevant CB, so that there was no approval for the purposes of Principle 2(1)(b). This raises the question whether carbon units issued under a procedure that does not provide for a separate approval act by a federal executive body should therefore be treated as void. In our view, the answer is no, for a different reason. The Principles apply only to VCCs within the meaning of Principle 2(1) (Principle 1). If a national unit does not satisfy the definition in Principle 2(1), it is not a VCC and falls outside the scope of the Principles altogether. Principle 10 does not apply because it addresses defects in VCCs, rather than classifying units created under national schemes. 'It is not a VCC' and 'it is a void VCC' are fundamentally different propositions: the first concerns scope, while the second concerns a defect. Russian carbon units exist and circulate under Federal Law No. 296-FZ irrespective of their classification under the Principles. The risk is nevertheless real, but arises at the next stage — implementation. If a State makes the law of the Principles applicable to units issued under a national procedure that does not reproduce a separate act of approval by the CB, every such unit would formally fall within Principle 10(1)(b) on the reading adopted in Commentary 10.16. Russian			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		regulation makes the risk particularly clear: the same unit-creation procedure includes an approval act only for international cooperation projects. On a literal reading of Commentary 10.16, units issued for all other projects would therefore be void not because of any defect, but simply because the scheme applicable to them does not require that separate act. The divergence would be removed by the amendments we have already proposed to Principles 2(1)(b) and 2(11): recognizing that approval does not require any particular form and may be expressed through the act of crediting, and that the functions of a CB may be performed by several persons, removes the premise from which this difficulty arises.			
330.	Principle 10(1)–(2) (Scope of the grounds for revocation)	It is suggested to clarify that the “revocation” provided for in Principle 10 constitutes a specific category concerning the cancellation of a VCC and its proprietary effects, and should not be confused with the revocation, suspension, expiry or other administrative measures that may affect authorizations, registrations or decisions relating to the underlying mitigation activity. Any effects that such administrative measures may have on previously created VCCs should be determined under applicable law and should not, by themselves, entail the retrospective effect provided for in Principle 10(4), unless the conditions set out in Principle 10 are met or applicable law otherwise so provides.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
331.	Principle 10(1)	10.1.a – It is unclear to us why the proposed principle focuses on a subjective element (deliberate wrongdoing, not wrongdoing per se) to define whether a VCC should exist or not. What is the underlying rationale here? Would an	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		objective element, such as “legality”, which the commentary rejects, however, not be the better guide? (On terminology: Is “deliberate wrongdoing” an established PIL concept. Would “fraud” fit the conceptual approach?) 10.1.b – While the commentary refers to 2.1 and provides examples for what is considered relevant scenarios, the black letter text should explain what is meant with the term “complete nullity” or simply clarify if the “constitutive elements referred to in... have been absent”. Then, however, the ‘absence of one or more of the constitutive acts’ may not be clear in itself. Which elements in 2.1 are constitutive? From the commentary, we take: the existence of a project and the existence of a verification report. But not the existence of a mitigation outcome? Better to clarify.			
332.	Principle 10(1)	Para. 10.1: Lit (a) introduces a subjective element “deliberate wrongdoing”, as a ground for cancelation. This is difficult to sustain from the standpoint of legal design and VCC architecture. A ground for cancellation should be objectively ascertainable, for example, a defect apparent on the face of the VCC (such as the absence of a required serial number) or, potentially, a clearly established violation of safeguards in the generation of the VCC. Whether a particular stakeholder acted deliberately or in bad faith should not determine the legal status of the VCC to ringfence, as much as possible, its legal and market value. Introducing a subjective inquiry, in our view, would make cancellation dependent on circumstances extraneous to the VCC itself and could lead to unpredictable and inconsistent outcomes.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Para. 10.1: Lit (b) uses the concept of “complete nullity” but does define it. The commentary refers to the consecutive acts in Section 2.1, but this does not provide a precise list of acts that lead to ‘complete nullity’. The commentary provides the example that there is no project. What if there is a project but not the mitigation outcome claimed?			
333.	Principle 10(1); Commentary 10.11; Principle 13	<u>Issue:</u> Commentary 10.11 states that illegality of the project under host State law does not, by itself, invalidate the credit or necessarily provide a ground for cancellation. Commentary 13.6 also indicates that the State of the registry may determine the effect it gives to illegality arising in the host State. This may allow a tradable asset to continue where a competent host State authority has finally determined that the underlying project is unlawful. <u>Recommendation:</u> Add a rule addressing recognition of final judicial or administrative decisions of competent host State authorities, subject to due process and the public policy of the forum. At a minimum, the credit should not be capable of use or retirement to evidence a climate benefit where a final decision establishes that the project or the required authorization is unlawful or invalid.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
334.	Principle 10(1)	We understand that the UNIDROIT working group has sought to limit the grounds for revocation which we welcome. Narrowing the grounds for revocation means that the VCC is a more stable asset and its identity (apart from in cases of deliberate wrongdoing and nullity at creation) is preserved	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		even in cases of reversal and subsequent non-achievement of mitigation outcomes. There will still be uncertainty in the market regarding the ability to void the proprietary rights in the VCC for fraud and wilful misconduct and much reliance is placed on the fact that this is a rare occurrence. We acknowledge that the approach allows the VCC to behave more like a stable asset, free from the disruptive effect of cancellation. The approach reflects the way in which the market seeks to behave in cases of cancellation for excess issuance (although implementation is not entirely consistent). The volume of ERRs issued in excess is replaced via the means of buffer pools, active credits, and procurement from other projects with the intention of making the atmosphere “whole” again. This approach is aligned with approaches taken by banks, for example. We see an inconsistency of approach to replacement currently and hope that the principles will help to align the position. Principle 10(7) sets out the order in which VCCs should be cancelled for revocation. Principle 10(5) states that the principle only relates to the proprietary rights in the VCC and does not affect any rights that the VCC holder may have against other parties under contractual terms, for example. Personal rights survive but rights in rem would never have arisen in the first place. We would note that the biggest impact would be in terms of the market treatment of the affected VCCs. We also understand that complete nullity only applies where one of the constitutive parts of the creation of VCC under Principle 1(c) have not taken place, such as the requirement for a positive verification statement from the VVB. Complete nullity is distinct and separate from excess issuance of VCCs.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Under Principle 10(4) a VCC that has been cancelled for revocation is treated as void from the outset and therefore at no point subject to proprietary rights. We would point out that this would need to be dealt with contractually. We understand from the commentary that this provision as currently drafted was a policy decision, as intellectual property law under which the proprietary rights in a VCC were assessed by the UNIDROIT drafting committee would not align with the concept that the VCC should continue to be the subject of proprietary rights regardless of any intervening event or failure to exist in the first place. As also reflected in Principle 11 (Overissuance), the current draft therefore represents a compromise between the concepts of property law and commercial realities that will allow for the fungibility and scaling of carbon markets and we would broadly support this. The continued ability to void a credit ab initio does present continued risk to the market even if reduced.			
335.	Principle 10(1)–(4) (Fault and substantive deficiency)	Retain revocation for deliberate wrongdoing and complete nullity, but do not allow the distinction between intention and negligence to determine whether unsupported mitigation remains claimable. A genuine process can produce a materially wrong result, including through a defective baseline, non-additional activity, serious measurement error or overlooked leakage. The preferred solution is an objective correction duty under revised Principle 11, regardless of fault, while retaining Principle 10's retrospective consequences for its specified	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		grounds. This avoids making proof of dishonesty the gateway to environmental correction. Different degrees of fault can still determine personal liability and sanctions under applicable law. Clarify the treatment of a real project with genuine verification but zero additional mitigation. The absence of a fictional project or fabricated statement should not prevent correction of the entire unsupported quantity. Revise Commentary 10.2's exhaustive categorisation to acknowledge post-creation reversals and other-law cancellation.			
336.	Principle 10(1)(b); Commentary 10.16	Commentary 10.16 illustrates complete nullity by cases in which a constitutive act required by Principle 2(1) 'was not genuinely present', including a VCC created where there was no underlying GHG mitigation project; Commentary 10.22 locates the boundary with overissuance in 'the genuineness of the verified achievement'. If, and only if, the express textual bridge proposed in Comment 4 or Comment 7 is adopted, the respondent invites a corresponding illustration in Commentary 10.16: 'where the relevant GHG mitigation project was carried out on land or on a natural resource treated as immovable property under the law of the State in which that resource is situated, and the land or natural resource was, at the time of the acts referred to in Principle 2(1)(a) to (d), incapable, under the law of the State in which it is situated, of being made the object of the specific interest required by that law for carrying out the project.'	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The project and measured tonnage may be genuine; the defect is that situs law excluded from the interests capable of creation the specific interest that law required for carrying out the GHG mitigation project. Ownership inalienability alone does not establish that result (Comment 3). Principle 10(2) characterises the relevant circumstances only once the express bridge makes this a ground within Principle 10(1)(b). Commentary 10.27 correctly confirms that Principle 10(2) cannot widen the grounds in Principle 10(1), and commentary characterisation alone cannot supply the missing bridge. The assessment remains fixed at creation under Commentaries 2.9 and 2.10. Later law or policy does not change whether the condition was satisfied then; separate regulatory, remedial or expropriatory consequences remain matters for other law. Comments 10 and 11 propose only consequential cross-references and distinctions.			
337.	Principle 10(2)	Law of the enacting State: We wonder if the draft is meant to read “the law applicable pursuant to Principle 4”? If not, how is the law of the enacting state (which one?) relevant when it comes to the determination of ‘deliberate wrongdoing’ and also ‘complete nullity’?	Government of Germany		Germany
338.	Principle 10(2); Commentary 10.11 and 10.12	Commentary 10.11 states that illegality in carrying out a project does not, of itself, render the VCC void or provide a ground for cancellation for revocation. The respondent agrees as regards permitting, environmental, labour, fiscal and other conduct requirements. If the express bridge in Comment 4 or Comment 7 is adopted, Commentaries 10.11 and 10.12 should distinguish	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		such conduct from the creation-time incapacity defined by that text and cross-refer to the illustration in Comment 9. Principle 10(2) would then characterise circumstances within the textual ground; it would not create or enlarge that ground.			
339.	Principle 10(3)	Why is the enacting State the relevant law here? Which enacting State, in case several are involved?	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
340.	Principle 10(3), (5)–(7) (Procedure remedies and allocation)	Require notice, reasons, access to relevant evidence, an opportunity to respond, and independent review for revocation and related integrity determinations. Provide proportionate interim suspension where credible evidence indicates a material deficiency; appeals should not automatically permit continued use of disputed units. Allow affected communities and public-interest complainants an accessible route to trigger investigation. Support preservation of personal remedies under paragraph (5), but add an implementation recommendation for effective redress where contractual privity or insolvency would otherwise leave purchasers or affected rights-holders without recourse. For paragraph (7), first identify the affected project, period and quantity. Prioritise responsible parties' holdings and appropriately constituted reserves where available; use pro rata allocation only for the unresolved balance within the affected cohort. Private ordering may allocate financial loss	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		but must not reduce the total environmental correction required or unfairly shift it to uninvolved projects.			
341.	Principle 10(3)	Principle 10 should expressly recognize as an <u>additional ground for revocation</u> cases where a project harms the rights or interests of communities or groups, including customary rights holders, and IPs, and the underlying project or project activity is subsequently determined by a competent judicial authority to have violated applicable host State law concerning those rights. As expressed earlier in this submission, the acknowledgement that intentional wrongdoing, which may include failure to comply with the rights of local communities and IPs, may lead to revocation of a VCC comes too late in the Principles. Rather, it should be a requirement that project developers evidence compliance with relevant laws, including the rights of local communities and IPs as applicable, in order for a VCC to be created. For example, the compliance with laws and norms relating to original title, FPIC or legally mandated benefit-sharing, should be a condition of the lawful creation or issuance of the VCC, and only where the non-compliance materially affects the lawful creation or issuance of the VCC. It should not extend to breaches of host State law unrelated to the creation or issuance of the VCC. <i>*This point should also be reflected accordingly under Principle 9 (Cancellation) and Principle 10 (Commentary 13.2) needs to be amended accordingly.</i>	Sustainable Development Strategies Group (SDSG)		United States of America
342.	Principle 10(4)	Ex nunc / ab initio effect: The commentary clarifies that revocation prevails over other principles, e.g., P7 (innocent	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		acquisition) and presumably P8 (retirement). It should be noted that in practice, cases of revocation are extremely rare. California's ARB offset credits can be "invalidated" (the law does not specify whether this is ex nunc or ex tunc – and there does not seem to be a need). Australia has similar rules. But otherwise, carbon standards and emissions trading systems (notably the EU ETS) do the outmost to keep the units, once issued, alive and they restrict the legal effects of a legal challenge to restitution, replacement, and damages rather than invalidation. The VCS, under its rules for Quality Control Review (QCR) provides that "[a]ny credits that were issued to the project prior to the QCR and that have since been transferred and sold to another account holder, retired, or canceled will not be affected by the QCR. Under the current VCS Program rules and Verra Registry Terms of Use, the status of active and retired VCUs does not change, and such VCUs remain valid in the Verra Registry. If at the end of a QCR Verra determines that credits were issued in excess of the correct amount, the following will occur: Verra will require that the project proponent and authorized representative in some circumstances, replace the excess credits. Verra will cancel the excess buffer contributions if the project has a non-permanence risk. Note: Canceled credits are permanently removed from circulation and can no longer be traded, retired, or claimed." The UNIDROIT approach does something entirely different, and it is not clear how this will improve either the integrity or the predictability of the carbon markets.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		If there is a case for revocation at all, it should focus on a narrow, clearly defined list of deficiencies (a violation of safeguards among them). Also, the legal effect (ex nunc/ab initio) and the relationship to innocent transfers and retirement should be reworked.			
343.	Principle 10(4)	Status of Corresponding Adjustment in case of revocation may be elaborated.	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
344.	Principle 10(4)	Although the comments clarify that negligence and honest mistake (as understood in English law) are not within the scope of revocation under Principle 10, the market (whether as participant or as security interest holder) nonetheless remains exposed to the risk of nullity and wilful misconduct (i.e. fraud). An innocent acquirer of VCCs is not protected in cases of revocation for nullity or wilful misconduct. Only where it is a matter of the accuracy of the mitigation outcome but the elements of VCC “creation” are in place, will the matter fall within the scope of Principle 11 (Overissuance) and the innocent acquirer would be protected. This would remain a risk for an as yet nascent market. What constitutes wilful misconduct and whether there is a nullity, is for the rules of the governing law to determine. The main risk to market participants lies in relation to national determinations of wilful misconduct. The risk remains that different states will have varying thresholds and laws relating wilful misconduct and fraud. Although such	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		cases may be rare (as compared to overissuance or reversal for example), the market may see different legal outcomes in different jurisdictions which would lead to inconsistent treatment of VCCs. The complexity and risk may increase further where the VCC is linked to a compliance-based framework, such as Article 6 or CORSIA that require corresponding adjustment. Currently, letters of authorization do not consistently deal with these risks.			
345.	Principle 10(5)	The provision is hard to read and not altogether clear. The commentary should include an example of what the provision means to say (beyond the assertion that a VCC may “[carry] rights against a transferor, a VVB, a CB...” – itself a statement that requires explanation). Is the intention to say that revocation is w/o prejudice to any non-proprietary claims? Then there may be a more direct way to do that.	Government of Germany		Germany
346.	Principle 10(7)	It is proposed that, in paragraph (7), consideration be given to the scenario in which the Registry Operator or the Crediting Body proactively initiates revocation upon confirming intentional misconduct in the emission reduction project or the certified emission reductions.	Government of China		People’s Republic of China
347.	Principle 10(7)	This provision is hard to read, and if we understand it correctly, the scope is limited to instances of quantitative deficiencies. It would be good to add this context (e.g., ‘In cases where the defective VCCs cannot be individualized...’).	Government of Germany		Germany
348.	Principle 10(7)	We understand that the reason for the proposed order is likely to be that carbon registries contractually will only take instruction from the registered holder, who is not necessarily the legal and/or the beneficial owner of the proprietary	South Pole	Mary Gilmore-Maurer	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		interest in the VCC. The authorization to issue legal instruction and the order set out either by the project proponent in agreement with the CB or the applicable rules of the CB provided that the registered holder(s) have been notified. Failing that, the cancellation is on a pro-rata basis. Most established registries have rules in relation to cancellation but they are not all clear or consistent on the order of that cancellation. This creates the risk that cancellation will happen on a pro-rata basis where there is more than one registered holder. Market participants would need to account for this risk in their contractual frameworks, particularly where a pro-rata basis does not reflect the structured financial arrangements associated with the project.		Global Legal Director (Carbon Projects and Public Affairs)	
349.	Principle 10(1), Commentary 10.1	Consistently with the proposal above in relation to Principle 11, we suggest that Principle 10(1) should be supplemented by an additional ground for cancellation for revocation where an overissuance arising without deliberate wrongdoing has not been remedied within the prescribed period. Principle 10(1) provides an exhaustive list of the grounds for cancellation for revocation: (a) deliberates wrongdoing in the verification, approval, crediting or individuation of the VCC; and (b) complete nullity of the creation of the VCC. Principle 11, by contrast, addresses cases in which the constitutive acts genuinely took place but, without deliberate wrongdoing, the mitigation outcome was overstated. If the proposed temporal framework is adopted, an overissuance that remains unremedied after expiry of the prescribed period should no longer remain indefinitely within the protective rule of Principle 11(2). In our view, failure to	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		remedy the overissuance within that period should constitute an additional ground for cancellation for revocation under Principle 10(1). Since the grounds set out in Principle 10(1) are expressly exhaustive, this result cannot be achieved solely through the Commentary. An additional ground would therefore need to be incorporated into the black letter text. We accordingly should suggest adding a new paragraph (c) to Principle 10(1), along the following lines: “(c) an overissuance within the meaning of Principle 11 has been demonstrated and has not been remedied within the period prescribed in accordance with Principle 11.” The Commentary to Principle 10 should be amended correspondingly to make clear that this additional ground applies only where the overissuance arose without deliberate wrongdoing, the constitutive acts required by Principle 2(1) genuinely took place, and the overissuance remained unremedied upon expiry of the applicable period. This amendment would preserve the distinction between deliberate wrongdoing, complete nullity and non-deliberate overissuance during the remediation period, while ensuring that overissuance cannot remain indefinite without a definitive legal consequence.			
350.	Principles 10 and 11	Overissuance and revocation. A VCC may have been validly created even though the underlying mitigation outcome is subsequently found to have been overstated. The draft does not automatically treat the VCC as having never existed; instead, consequences may arise through crediting-body rules, contractual arrangements and applicable	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurbur (Professor and Director; Dean, Faculty of Law)	India

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		regulation. This demonstrates that the VCC, as a legal asset, can be distinguished from the environmental fact it represents.		Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	
351.	Principles 10 and 13	Principle 13 provides that the effect of illegality on a VCC is a matter of other law. It therefore leaves the legal consequences of serious illegality, including illegality occurring during the underlying project, to the applicable domestic law. Principle 10 separately addresses the revocation of VCCs and sets out the circumstances in which a VCC may be revoked. The Draft may leave a gap between the legal consequences of serious project-level illegality and the revocation of VCCs. For example, where a project involves serious violations of domestic law, such as violations of Indigenous peoples' right to free, prior and informed consent (FPIC), unlawful destruction of primary forests, or unlawful land appropriation, it is unclear whether a final court judgment establishing such illegality would, by itself, provide a sufficient basis for revocation under Principle 10.	Dr Le Xuan Tung, Principal Researcher Ms Nguyen Vu Ngoc Mai, Research Intern <i>The views expressed are solely those of the authors in their personal capacities and do not represent the official position of the Institute or any other organisation or authority</i>	International Law Division, Institute for Legal Strategy and Science, Vietnam	Vietnam
352.	Principle 11 (Overissuance, pre-verification sales and environmental integrity)	The treatment of overissuance should go beyond the proprietary allocation of losses between private actors. Overissuance may arise from weaknesses in the methodology, inaccurate or overly optimistic baselines, insufficient monitoring, verification failures, incorrect application of methodological requirements, or from commercial practices through which expected mitigation outcomes are sold before verification and issuance have	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR)	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		occurred. The Study should therefore recognize that overissuance may reflect an underlying environmental integrity risk , rather than merely an error in the number of units recorded in a registry. In particular, transactions undertaken prior to verification should be distinguished from transfers of existing VCCs, since the subject matter may constitute a contractual right to receive future units, an expectation contingent on future verification or another form of future asset. The Study should consider recommending appropriate risk-management arrangements for such transactions, including clear disclosure that the units have not yet been verified or issued, contractual allocation of non-delivery and environmental-performance risks, and mechanisms for replacement, compensation, cancellation or other corrective measures if the expected mitigation outcome does not materialize.		Ministry of Environment and Sustainable Development	
353.	Principle 11	The Draft largely addresses overissuance from a private-law perspective but does not consider systemic environmental integrity impacts. It may be useful to recognize that significant overissuance affecting a methodology, programme, or sector may justify broader corrective measures by competent authorities or crediting mechanisms in order to preserve confidence in the market.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
354.	Principle 11	This principle seems problematic on different levels. It makes reference to section 2.1, which is not precise concerning the list of constitutive factors (see before). By providing for an exception for this concept, it amplifies the	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		concept of “deliberate wrongdoing” which in itself is problematic. More generally, the case is difficult to make that PIL should define or ‘regulate’ the consequences of overissuance. Then, while we advise utmost restraint when conceptualizing cancellation from a PIL standpoint, we would be wary of prescribing a definite consequence (no cancellation in cases of overissuance). Why would PIL be the judge what standards do or won’t do? Finally, we wonder if the discussion of overissuance hides a more complex question: the discussion of excess issuances linked to double counting. While the principle on overissuance had better be addressed through the applicable standard rules, given the growing risk that mitigation activities give rise to different sets of VCCs, it would seem important to identify PIL guidance on how to deal with such risks. Unrelated: We would appreciate a broader discussion of “time bar” and “transfer-ripening” mitigation options and their potential use for mitigating market repercussions for cancellations in general.		Ministry of Environment, Climate and Biodiversity	
355.	Principle 11	According to Principle 11(2), a VCC is not cancelled if overissuance is demonstrated. Principle 11(3) clarifies that this rule relates to the VCC’s proprietary status and does not affect any arrangement between certification bodies, registry operators or other market participants as to how overissuance may be addressed, nor any consequence that overissuance may carry under other law. This distinction is understandable and appropriate, given that the fate of the VCC and the allocation of the economic consequences of its overissuance are two analytically distinct questions. In other	Viola Cappelli	PhD, Postdoctoral Researcher in Private Law Sant’Anna School of Advanced Studies, Pisa	Italy

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		words, under Principle 11(2), a VCC remains in existence even if the outcome it represents has been overstated. However, Principle 11(3) does not address the implications for parties involved in transactions with that VCC. This could create a significant gap. If a VCC is transferred for value and subsequently found to have been overissued, the transferee may suffer an economic loss. Although the VCC remains an asset, the mitigation outcome it represents would be lower than the transferee had reason to expect. The Principles leave this risk to be allocated by contract and, where the contract is silent, to other law. Consequently, the Principles provide no default allocation of the resulting loss between the transferor and the transferee. Consideration could be given to a default rule modelled on the conformity and warranty rules commonly found in the law of sale: that a transferor for value is taken, in the absence of an agreement to the contrary, to represent that the VCC corresponds to the mitigation outcome it states. If the VCC were subsequently found to have been overissued, the transferee would have a personal claim against the transferor, subject to a limitation period to be determined, and the applicable law would determine the nature and extent of the remedy. Such a rule would not imply fault on the part of the transferor, nor would it require the transferor to have caused the overissuance or to have been aware of it; it would operate simply as a default allocation of the risk that the VCC proves not to correspond to the outcome it represents, which the parties would remain free to vary by contract. So framed, the rule could provide greater			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		predictability where the contractual allocation of risk is incomplete or absent. The rationale for considering a default conformity rule is reinforced by the way the Commentary deals with the issue of overissuance. Commentary 11.1 treats the honest error as the typical case, and Commentaries 11.5 and 11.6 recognise that certification bodies, methodologies and scientific knowledge may be at different stages of development, so that verification errors may occur without deliberate misconduct. For the purposes of Principle 11, overissuance is treated as an inherent market risk rather than an event necessarily resulting from wrongdoing. However, it is precisely for this reason that it is important to consider how the economic consequences of this risk are distributed among the parties involved. A final consideration concerns the place that verification occupies in the architecture of the Principles. Principle 2(1) makes an approved positive verification statement constitutive of the VCC, and Commentary 5.1 confirms that verification and approval are necessary preconditions of its coming into existence. The verified mitigation outcome is therefore not merely information accompanying an otherwise independently constituted asset: it forms part of what makes the VCC the asset that it is. Since the Principles already determine so precisely the proprietary status of a VCC whose verified mitigation outcome proves to have been overstated, this comment has attempted to address whether they should also set out how the resulting economic risk is allocated between the parties to a transfer. A default conformity rule of the kind outlined above could support the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		development of this emerging market by providing market participants with a model for risk allocation, thereby reducing the need for litigation. At the same time, given the environmental interest underlying these instruments, it would be difficult to argue that this would constitute excessive interference with private autonomy.			
356.	Principle 11	<i>Confusing terminology regarding the definition of overissuance</i> The principle on overissuance – Principle 11 – only applies to instances where there is no “deliberate wrongdoing”. Such wrongdoing is instead covered in Principle 10 under “revocation”. While it is reasonable to distinguish deliberate wrongdoing from negligence or error in this context since the applicable legal consequences may differ, “overissuance” should not be defined so narrowly. There have been many cases of overissuance occurring as a result of deliberate wrongdoing, for example, recently when C-Quest Capital made material misrepresentations in order to over-issue carbon credits. A small amendment to the terminology and organisation of the principles would therefore increase clarity. One option is to have Principle 11 cover <i>both</i> (1) overissuance as a result of deliberate wrongdoing and (2) overissuance as a result of negligence or error. This reorganisation could ensure that the term “overissuance” is understood more broadly because both categories would fall under the umbrella concept of “overissuance”, while the legal consequences could be distinguished depending on the circumstances.	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Another option is to amend the title of Principle 11 from simply “overissuance” – which gives the reader the first impression that all categories of overissuance are included in this Principle – to “overissuance absent deliberate wrongdoing [...]”. This change could allow readers to understand – at first glance – that Principle 11 is not intended to broadly cover every category of overissuance. In this case, there should nonetheless be a separate principle covering overissuance in cases of deliberate wrongdoing.			
357.	Principle 11	On honest over-issuances, these could for instance be due to verification or baselining mistakes. VCC registries generally address these through buffer pools, insurance, or other compensation mechanisms as referred above under Principle 10.	GenZero	Ms Sim Ting Head, Corporate Services Group and General Counsel	Singapore
358.	Principle 11 (Overissuance and Reversal)	Perhaps the most significant issue requiring further consideration is the treatment of overissuance. UNIDROIT distinguishes between: • revocation, where deliberate wrongdoing or complete nullity is established; and • overissuance, where the constitutive steps for creating the VCC occurred but it is later established that the mitigation outcome was not achieved to the extent represented. Under the proposed base rule, an overissued VCC does not automatically cease to exist (principle 11(2)). It can continue to be treated as property, while the environmental integrity issue is dealt with through crediting-body rules, contractual	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailam, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		arrangements, insurance and regulatory mechanisms. This creates a potential Shariah concern. The IsDB Sharia Resolution permits trading subject to the absence of <i>gharar</i> and fraud and the ability to deliver the certificate. If a VCC is subsequently shown not to represent the environmental outcome that it purports to represent, the original transaction may raise questions concerning the subject matter of the sale, its characteristics and the existence of material uncertainty. The UNIDROIT approach prioritises market stability and legal certainty, whereas Shariah additionally requires attention to the substantive reality and validity of the underlying benefit. Recommended Islamic finance approach Islamic financial institutions should therefore require: • robust verification standards; • clear contractual representations and warranties; • mechanisms for replacement or cancellation of defective VCCs; • allocation of the risk of reversal and overissuance; • appropriate compensation/restitution mechanisms; and Shariah Board approval of the relevant contractual arrangements.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
359.	Principle [11] ⁵⁵ and Principle 4(1)(b)	Over issuance regime creates registry-jurisdiction arbitrage risk. Cancellation for over issuance is a proprietary matter governed by the <i>lex registri</i> under Principle 4(1)(b). Because Principle 4(3)-(4) lets the registry operator unilaterally choose that law, and the choice between the zero-cancellation base rule (Principle XX (2)) and the recast with Options 1/2 (Principle XX(2-alt)) is left to each enacting State, two identical VCCs recorded in different registries could receive opposite treatment on discovery of an honest-error over-issuance. The drafters themselves call Principle XX (2) a “doctrinal anomaly” adopted for policy reasons (Commentary XX.3–XX.8), giving registry operators a direct incentive to locate in jurisdictions adopting the most permissive variant which is independent of the actual environmental integrity of the CBs feeding that registry. This is distinct from the general choice-of-connecting-factor risk already flagged at Commentary 4.24. Recommendation. Require a registry's chosen over-issuance regime to be a disclosed item of the registry rules under Principle 12(7); consider a mandatory ceiling (e.g. 24-month maximum time-bar) for any State adopting the recast. Suggested drafting (new Commentary XX.11bis). “Because Principle 4(1)(b) subjects cancellation for over-issuance to the <i>lex registri</i>, and Principle 4(3)-(4) permits a registry operator to select that law unilaterally, a VCC registry's chosen over-issuance regime should be a mandatory disclosure item under the registry rules referred	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

⁵⁵ The submission refers to Principle XX, as Principle 11 was referred to in an earlier iteration of the draft instrument, available here: <https://www.unidroit.org/wp-content/uploads/2026/06/Study-LXXXVI-W.G.9-Doc.-3-Draft-Principles-and-Commentary.pdf>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		to in Principle 12(7), on the same footing as disclosure of the chosen <i>lex registri</i> itself." Key Reference. <i>Commission Regulation (EU) No 389/2013 of 2 May 2013 establishing a Union Registry [2013] OJ L122/1, recitals (1)– (2).</i>			
360.	Principle 11	Compared with the previous 2025 draft Unidroit document (which contained a Principle 9 called "Reversal"), Principle 11 (Overissuance) constitutes an improvement. If we understand the current articulation correctly and to put Principle 11 into context, there is currently a three tier structure: • Principle 9 now serves as a general framework governing the effects of cancellation (being "voluntary cancellation" or "in accordance with other law"); • Principle 10 addresses Revocation and is restricted to cases of deliberate wrongdoing or complete nullity, resulting in retrospective invalidity of the VCC; • Principle 11 introduces the new concept of "Overissuance", covering situations where VCCs were validly created but the underlying mitigation outcome, without fraud, "had not, <u>at the time of the creation of the VCC</u>, been achieved to the extent represented". By way of reminder a 'Mitigation outcome' is defined in Principle 2 as being one of the following:	TotalEnergies SE	Mr Cyril Vock Head of Low Carbon Regulatory Affairs and Advocacy, Direction Juridique, Exploration & Production Branch	France

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		(a) a reduction in and/or avoidance of emissions of GHG into the atmosphere; or (b) a removal of GHG from the atmosphere. Our comments: 1/ Drafting comment on the definition of 'Overissuance' (see underlined words above: how can one anticipate the achievements of a 'mitigation outcome' at the time of creation of a VCC? By definition it will take time for a 'mitigation outcome to produce its effects. 2/ Unlike Reversal, Overissuance <u>does not result in a retroactive cancellation of a VCC as though the VCC had in effect never existed.</u> This is why it is an improvement. Principle 11 reflects a policy choice to preserve legal certainty and market stability while leaving environmental integrity issues to be managed through market, contractual and regulatory mechanisms. So Principle 11 <u>effectively shifts the risk from legal validity to economic value.</u> Investors gain certainty that a VCC will continue to exist as an object of proprietary rights, <u>but they do not gain certainty that the VCC will retain its environmental credibility or market price.</u> So Principle 11 creates risks that are more economic than legal in that it may ultimately impact on the integrity and value of the credits concerned. Principle 11 works also well with the qualification of VCC as intangible asset (see principle 3.2 above)			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
361.	Principle 11(1)	Our comment for 10.1.a applies here, too, mutatis mutandis. It seems problematic to have a subjective element decide whether a property title exists or not. Furthermore, the fact that the threshold of deliberate wrongdoing will be set by the enacting State may lead to contradictory findings in a cross-border situation.	Government of Germany		Germany
362.					
363.	Principle 11(1)	Reason for over issuance, over-crediting to be elaborated.	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
364.	Principle 11(1) and 11(2)	Overissuance may happen where there is carelessness or innocent error but the extent of mitigation outcome confirmed in a verification report, for example, is not achieved. It is very helpful in such cases for market participants to be able to rely on the continuation of the proprietary rights in the VCC. It seems that strict application of property law (particularly intellectual property law) precepts in many jurisdictions, especially civil law jurisdictions to other asset classes would normally mean the asset is nonetheless void ab initio/void from outset. We welcome the policy approach taken here. The comments acknowledge that Principle 11(2) is a doctrinal anomaly. We agree with the drafting committee justification of the approach as a policy decision to enable fungibility and scalability of VCC markets, due to certain distinct features of	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		voluntary carbon markets: (i) nascent market, (ii) uncertainty of the underlying activity including scientific understanding as this relates to methodology development, and (iii) the policy imperative to scale due to the critical role of carbon markets for mobilising capital towards GHG mitigation and supporting state efforts under the Paris Agreement. A practical effect of this policy approach is that the affected VCCs are not void due to a methodology change which can present a significant risk that is outwith the control of project developers. The proprietary rights in those VCCs is maintained in that case. However, we note that under most CB rules replacement credits would still need to be procured to make good the emissions reductions or removals.			
365.	Principle 11(1)-(3), Commentary 11.1-11.15 and Principle 2, Commentary 2.36 (Overissuance, informational integrity and proprietary finality)	Principle 11 addresses one of the most important issues in the Draft. Commentary 2.36 explains that overissuance arises where the constitutive acts required for creation genuinely took place, but it is subsequently demonstrated, without deliberate wrongdoing, that the mitigation outcome the VCC represents was not achieved at creation to the extent represented. Under the base rule in Principle 11(2), overissuance does not lead to cancellation. Informational integrity and proprietary validity are related, but they are not identical. Principle 11 illustrates the point at which the two may deliberately diverge in favour of transactional finality. A later discovery that the underlying mitigation information was inaccurate does not necessarily mean that the VCC ceases to exist as the subject of proprietary rights. Commentary 2.10 explains that “the existence of the VCC as	Dr George Yijun TIAN	Associate Professor at the Faculty of Law, University of Technology Sydney, Australia <i>Comments submitted in academic capacity</i>	Australia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the subject of proprietary rights (the property law nature of a VCC) is separate from the ongoing environmental integrity of the VCC". Commentary 2.12 notes that this separation is "not without precedent", drawing an analogy with patents and registered designs. The Commentary also makes clear that the base rule is a deliberate policy choice. Commentary 11.11 explains that it departs from the general principles of intangible personal property under which a defect in the substantive conditions for existence of an asset at creation would render it void from the outset. This approach protects legal certainty and transactional reliance after a VCC has entered circulation. The commercial rationale is compelling. Preserving the VCC's proprietary status does not, however, make the underlying mitigation claim accurate. Where property law no longer corrects the informational deficiency, other mechanisms - including crediting-body rules, contractual arrangements, market responses and regulatory measures - become particularly important. Proprietary finality therefore allocates, rather than removes, informational and legal risk. I also support retaining the bracketed words "[regulatory or]" in Principle 11(3). They make explicit that preserving proprietary status does not displace regulatory consequences that may attach to overissuance. Recommendation: I suggest that the Commentary clarify that: (a) preserving proprietary status does not validate the accuracy of the underlying mitigation claim; (b) relevant records should remain traceable so that the informational			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		history of an affected VCC and any corrective action can be identified; and (c) different national, crediting-body or registry responses to overissuance may have cross-border consequences for reliance and interoperability. These clarifications would support, rather than undermine, the commercial objective of Principle 11.			
366.	Principle 11(2)	Principle 11(2) ("A VCC is not cancelled where overissuance is demonstrated.") should be considered carefully. As set out in paragraph 11.3, this is a doctrinal anomaly. The distinction between the asset's proprietary nature and its environmental validity may be useful for investment stability, but it may have reputational implications for the carbon market and should not permit the use, for compliance with a regulatory obligation, offsetting, or international transfer, of a unit that does not represent effective mitigation.	Government of Brazil	Ministry of Foreign Affairs	Brazil
367.	Principle 11(2)	The consequence of non-cancellation had probably better be applied to all instances of deficient creation (see above). However, the commentary includes interesting alternative choices, namely that VCCs could be treated as non-revokable except during a specific time window after issuance (creation) ("time bar mitigation") and provided that they have been transferred ("transfer-ripening mitigation"). These alternative choices could serve as robust middle ground for all cases of (non-voluntary) cancellation.	Government of Germany		Germany
368.	Principle 11(2)	Principle 11(2) provides that an honest, non-deliberate over issuance — for example, a project that is later shown to have achieved a smaller mitigation outcome than originally represented at the time of creation, through no deliberate wrongdoing — does not result in cancellation of the VCC. It	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		means an honest error upstream does not unwind a completed purchase. The commentary identifies this as a deliberate policy choice, and invites enacting States (in paras. 11.11) to consider an alternative approach under which over issuance would instead render the VCC void from the outset (subject to mitigations). The commentary also offers mitigations to the proposed Principle, including time bar and transfer-ripening. A time bar concept is prudent and helpful in providing the market with suitable certainty to scale.			
369.	Principle 11(2)	<i>Considerable leeway afforded to project developers where VCCs have not achieved the intended climate impacts</i> Principle 11 (2) states that “a VCC is not cancelled where overissuance is demonstrated”. This means that even in the event that a VCC fails to represent one tonne of CO₂ reduced/removed, there is still no change in the legal status of the VCC. This appears to be the case in all circumstances except deliberate wrongdoing which is covered in Article 10 “revocation”. Such circumstances may include “carelessness or from wholly innocent error”, but this is simply listed as an example. Principle 11 does not distinguish between, negligence, innocent mistakes, or deliberate efforts to over-issue by taking advantage of considerable methodological flexibility as provided for by various standards. As a result, project developers are given a substantial amount of latitude – with little accountability – at least with regard to VCC proprietary rights.	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		The commentary section (11.11) notes that States may choose to not adopt 11 (2) since it “departs from the general principles of intangible personal property [where] a defect in the substantive conditions for the existence of an asset at the time of its creation renders the asset void from the outset”. The commentary explains the non-cancellation of VCCs in this context as an intentional departure (“doctrinal anomaly”) from standard private law rules that was made due to a policy decision to preserve market stability. Carbon crediting bodies are then expected to deal with the reduction of value of the flawed VCCs. The drafters note that States may be uncomfortable with this departure and allows them to decline 11 (2) and “provide instead that an overissuance leads to cancellation of the VCC, with the same retrospective effect as revocation under Principle 10”. Having already prioritised market stability and certainty over, e.g. environmental integrity, the drafters then offer various approaches to mitigate the supposed damage including time bar mitigation; transfer-ripening mitigation; combined operation of the two mitigations and allocation where cancellation affects some VCCs only. We recommend that UNIDROIT delete Principle 11 (2) and instead recommend cancellation of the proprietary rights of the credits in question. If VCCs are issued, but ultimately fall short of their intended mitigation outcome, the end result is the same: the VCCs did not correspond to the amount of CO₂ actually reduced or removed, and there is a lack of environmental integrity. Such flawed VCCs should not remain legally valid as property and should be cancelled regardless of whether the shortfall resulted from deliberate			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		wrongdoing, negligence, carelessness, or another reason. While the consequences following cancellation may depend on the reason for overissuance (and may be determined on a case-by-case basis), the underlying rule should first and foremost be cancellation. If UNIDROIT decides to keep Principle 11 (2), we recommend that States ignore it and proceed with cancellation of the problematic VCCs. This is separate from sanctioning those at fault. The fact is that the VCCs do not represent what they are supposed to, so they should not remain legally valid. The first priority should be cancellation of any VCCs that represent an unachieved mitigation outcome to maintain a certain level of environmental integrity in the market. Fault must then be subsequently assessed and legal consequences must be determined, but this is separate from the proprietary legal status of the VCCs themselves. Additionally, the stability of carbon markets is also heavily dependent on the safeguards in place to address credit quality concerns. Non-cancellation of defective VCCs could directly impact overall market credibility and stability by potentially reducing trust, leading to a decrease in overall market demand and ultimately instability, which is what the drafters are trying to avoid.			
370.	Principle 11(2)	Commentaries 11.3 and 11.8 present the base rule as a deliberate departure, justified on policy grounds, from the general principle that a defect in the substantive conditions for the existence of an asset at the time of creation renders the asset void from the outset. That framing is open to objection: if a VCC arises only upon a specified composite set of legal acts, a defect in that legal basis should prevent	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		the asset from coming into existence, and a contrary result adopted for reasons of expediency may appear arbitrary. In our view, however, the anomaly is only apparent and results from imprecise characterization. Principle 11(1) expressly assumes that the constitutive acts genuinely took place. The defect lies not in the legal acts of creation, but in the correspondence between the quantitative parameter represented by the registry record and the factual position. The content of a VCC is determined not directly by a physical quantity, but by the result of measuring that quantity under the applicable methodology; it is the methodology that supplies the legal benchmark (Principle 2(1)(a) and Principle 2(13)), while the measured quantity is inherently subject to uncertainty. Commentary 11.6 acknowledges that uncertainty, but uses it only as a policy argument. Where the constitutive acts were duly performed under the methodology applicable at the time of verification, the legal criterion was satisfied, and a subsequent reassessment of the measured quantity does not render the constitutive basis defective. Methodology changes operate prospectively Commentary 11.8 and Introduction paragraph 49 describe the prospective application of methodology changes as a matter of usual practice ('typically'), rather than as a rule. The analysis above suggests that a methodology change does not in fact create the situation described in Principle 11(1): at the time the VCC was created, the legal benchmark was different and was satisfied. The issue is not a subsequent demonstration that the mitigation outcome was not achieved, but a prospective change in the method by			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		which it is measured. Market practice is consistent with this. Since 2025, under the Verified Carbon Standard, a project developer may transition to a new methodology only for future issuances, without recalculating VCCs previously issued; those VCCs remain valid and may be retired. Retrospective recalculation is possible only at the developer's initiative. The significance for Russian law is discussed in our comment on Introduction paragraphs 48-50: the legislation does not specify how the amended requirements for methodologies under Order No. 364 of the Ministry of Economic Development of the Russian Federation dated 5 May 2026 apply to projects already registered, and the gap cannot be filled by programme rules. Deduction from subsequent issuances Commentaries 11.10 and 11.20-11.22 list mechanisms for restoring the balance but do not mention deducting the overissued quantity from subsequent issuances for the same project. In practice, this is a principal mechanism: Verra's rules require the project to cancel immediately any excess VCCs it still holds, replace them from future issuances, or purchase replacement VCCs in the market. The advantages are substantial. The mechanism does not affect VCCs already issued and therefore requires neither retrospective cancellation, a loss-allocation rule, a limitation period, nor a transferrability rule. It places the risk on the project implementer, which is in substance the allocation adopted in Commentary 11.16: that commentary identifies the person to whom the VCC was first credited at creation as best placed to know of, and to bear the risk of, an honest-error overissuance — without disturbing the position of acquirers.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		It restores the aggregate balance between VCCs in circulation and the actual mitigation outcomes without creating the correlated-risk problem identified above in relation to buffer pools. Finally, it does not require VCCs to be debited from accounts against their owners' wishes. This is decisive for the Russian Federation: Federal Law No. 296-FZ of 2 July 2021 does not permit such debiting, while deprivation of property without the owner's consent is restricted by Article 35(3) of the Constitution of the Russian Federation and Article 235 of the Civil Code.			
371.	Principle 11(2)–(3) (Preferred approach to overissuance)	Replace the unconditional non-cancellation rule. Prefer correction of demonstrated overissuance, with a limited remediation period and protection of accrued personal remedies, over continued unrestricted existence of a known deficient credit. Suggested replacement: “Where overissuance is demonstrated, the affected quantity shall be identified and its status recorded. Pending independently verified remediation within a specified period, the affected units shall not be transferred for unrestricted mitigation use or retired as valid mitigation. Any quantity not remediated within that period shall be cancelled. These consequences do not depend on deliberate wrongdoing and do not extinguish accrued personal remedies.” A competent Crediting Body or authority should determine the deficiency through the reviewable procedure proposed for Principle 10. Cancellation should have a specified prospective effect for honest error, avoiding automatic unwinding of every completed transaction. A durable record must still identify the original overstatement. Where the	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		affected units have already been retired, require correction of the record, notification to beneficiaries and environmental remediation.			
372.	Principle 11(2) and 11(3) and Commentary 11.9–11.15	Principle 11 establishes that overissuance does not result in the cancellation of the VCC. Commentary 11.13 further recognises the possibility of a time bar where a State adopts an approach under which overissued VCCs may be cancelled, but leaves the duration of that period entirely to the enacting State. We respectfully suggest that the Principles should go further by establishing a defined temporal framework within which overissuance must be remedied, for example through a mechanism capable of restoring the balance between the VCCs in circulation and the mitigation outcomes achieved. After the expiry of this period, however, the VCCs should be cancelled. The absence of a defined period creates a significant risk of prolonged uncertainty as to the environmental integrity of VCCs. Overissuance is, by definition, a discrepancy between the number of VCCs created and the mitigation outcome achieved at the time of creation. The longer such a discrepancy remains capable of being corrected without a defined temporal limit, the greater the risk that VCCs will be transferred without any modification to the object of the VCC so as to adapt it to the corresponding amount of CO2 actually reduced. Such correspondence should be promoted by these Principles. We therefore suggest that Principle 11 should establish a fixed period, running from the creation of the relevant VCCs, within which overissuance must be identified and the corresponding excess VCCs cancelled or otherwise	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		neutralised. In determining the appropriate period, consideration should be given to the approach followed in the DAPL, in order to provide a comparable degree of legal certainty and finality. A period of within twenty-four months from creation would provide a reasonable balance between the need to allow sufficient time for the detection and correction of errors and the need to protect the stability and reliability of transactions in VCCs. Such an approach would preserve the distinction, rightly drawn by Principle 11, between the proprietary status of a VCC and the mechanisms required to maintain the environmental integrity of the market. It would also avoid placing the entire economic burden of overissuance on innocent subsequent holders merely because the relevant VCC cannot, after the expiry of the prescribed period, be cancelled. The proposed rule would therefore combine a clear temporal limit for correcting the overissuance with a separate framework for allocating responsibility for the underlying error. We accordingly should suggest that Principle 11(2) be supplemented by a provision along the following lines: “Where an overissuance is demonstrated, the excess VCCs shall be cancelled or otherwise neutralised within twenty-four months from their creation. After the expiry of that period, the VCCs shall be cancelled or otherwise invalidated on the ground of overissuance.” Alternatively, if it is considered that a fixed period should not be incorporated directly into the text, Principle 11 could require CBs and CCPs to establish a period not exceeding			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		twenty-four months from creation within which overissuance must be remedied. In either case, the relevant period should be sufficiently long to permit the discovery and correction of innocent errors, while providing a clear point at which the proprietary status of VCCs becomes definitive for the purposes of market participants.			
373.	Principle 11(3) (Preservation of domestic mechanisms to prevent or address concurrent or excessive attribution of mitigation outcomes)	It is suggested to reinforce the clarification that the rule in Principle 11(2), concerning the continued proprietary status of a VCC in cases of over issuance, is without prejudice to mechanisms that domestic law may establish to prevent, identify or address circumstances that could result in the concurrent or excessive attribution of mitigation outcomes. Such mechanisms may operate before a VCC is created, including through registry-based controls concerning overlaps between mitigation activities, and their effects should be determined in accordance with the applicable regulatory framework.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
374.	Principle 11(3)	<i>Lack of stronger language addressing the potential legal consequences for market participants on the demand side of the market</i> Principle 11 (3) limits the scope to proprietary status only while maintaining that this principle does not affect other arrangements between market participants nor does it prevent “any consequence that may attach to overissuance under [regulatory or] other law”. This is an important element to include, but the language arguably does not go far enough. Limiting the scope to proprietary status is understandable considering that this is a property-law based framework, but issues cannot be considered in a vacuum. Since it is meant to serve as guidance to States, there should	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		be stronger and more specific language addressing the legal consequences for market participants on the demand side of the market. Non-cancellation of flawed or defective credits also raises specific concerns for participants on the demand side of the market. For example, Principle 11 states that if there is no wrongdoing, then there is no proprietary cancellation of the VCCs and they remain valid in this regard. If Company X bought these credits and is planning (or is in the process of) retiring them to underpin a climate claim, then – absent a truly effective agreement or solution to correct the overissuance – the VCCs could still theoretically be used to underpin Company X’s claim. Such a claim may then be considered as false and misleading for being based on low-integrity credits and can be legally challenged on those grounds under consumer protection regulations. We thus recommend amending the commentary to 11 (3) to include a more direct reference to the potential legal consequences for the demand side of the market. For example, it could clarify that such legal consequences could include, but are not limited to, consequences under a State’s consumer protection legislation relating to false or misleading climate claims that are underpinned by VCCs that do not accurately represent one tonne of CO₂e.			
375.	Principle 11, Commentary 11.8-11.10	The preference for maintaining the proprietary existence of overissued VCCs may warrant additional safeguards. The Draft could encourage disclosure obligations requiring current and prospective holders to be notified when a unit has been identified as potentially affected by overissuance.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR)	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Ministry of Environment and Sustainable Development	
376.	Principle 11, Commentary 11.10	We suggest clarifying that buffer pools are one possible approach to addressing over issuance and are not used across all crediting mechanisms.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
377.	Principle 11, Commentary 11.10	To maintain the distinction between complete nullity and overissuance, if the express bridge in Comment 4 or Comment 7 and the illustration in Comment 9 are adopted, Commentary 11.10 should cross-refer to that illustration and state that the defined creation-time capacity defect is addressed under Principle 10(1)(b), not as overissuance under Principle 11.	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye
378.	Principle 11, Commentary 11.11–11.20 (Time bar and transfer ripening options)	Of the draft's alternatives, prefer a cancellation-based approach over the base rule, but reject both an absolute creation-based time bar and transfer ripening as bars to environmental correction. A 12–24 month period may expire before defects become detectable. A transfer cannot cure absent mitigation; the combined options could immunise a credit immediately after its first qualifying sale. The assertion in Commentary 11.17 that honest-error overissuance is necessarily unknown at transfer is unsound: an originally innocent error can be discovered, or credibly alleged, before a later sale. Actual knowledge of pending proceedings is therefore too narrow a safeguard. If settlement finality or limitation periods protect purchasers against particular private claims, state that these protections do not preserve climate-use eligibility, prevent status	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		corrections, or discharge remediation. Protect innocent purchasers through warranties, reserves and compensation arrangements, rather than by deeming a deficient environmental outcome valid.			
379.	Principle 12	We wonder if this principle is needed (for the reasons listed above). We would also be hesitant to lay out a firm instruction what the standard must do (even though there are exceptions).	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
380.	Principle 12	Purpose of the mechanism and its relationship with Principle 15(6)(b) Commentary 12.1, which explains the purpose of voluntary cancellation as moving a VCC to another registry followed by re-issuance under the rules of another CB, remains in square brackets and therefore has not been agreed. Yet it is the only explanation of why the mechanism is needed: Principle 12 itself requires no reason or purpose and permits an unmotivated cancellation on the holder's instruction. If the bracketed explanation is removed, the remaining rule would allow a VCC to be destroyed without cause and without any claim to a mitigation outcome, making the boundary with retirement under Principle 8 purely formal. In our view, the relationship with Principle 15(6)(b) should be stated either in the operative provisions or in agreed Commentary. Gap between cancellation and creation of the new unit The model in Principle 15(6)(b) involves two successive operations in two registries: the VCC ceases to exist upon	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		voluntary cancellation (sub-paragraph (i)), while a new VCC is created only when it is credited to an account in the second registry and only if it satisfies the definition in Principle 2 (sub-paragraph (ii)). Between those two moments, the holder has neither the former VCC nor the new one. The draft does not regulate this interval: it specifies neither a maximum period nor the consequences if the second operation never occurs because the receiving CB refuses, the unit does not satisfy Principle 2, or for any other reason. Principle 9(6), which preserves the rights of affected parties in the event of erroneous cancellation, does not assist because the cancellation was not erroneous: it was carried out on a valid instruction from the holder and in full compliance with Principle 12. The holder loses the asset irreversibly and is left only with personal claims whose content the Principles do not determine. We note that this risk reinforces the point made in our comment on Principle 4 concerning the absence of a conflict-of-laws rule for transfers of VCCs between registries. Extinction of an asset under one legal system as a condition for its creation under another Russian law contains no mechanism under which a right in an object of civil rights is terminated at the right holder's request, not in order to use or consume the right, but in order for an analogous right in an asset to arise in another record-keeping system. The institutions closest to Principle 12 — early termination of a patent at the patent holder's request (Article 1399 of the Civil Code) and termination of trade mark protection at the right holder's request (Article 1514(1)(5)) — assume that the right holder receives nothing			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		in exchange and have no second stage. Russian law does contain mechanisms for moving an asset between recordkeeping systems, but they are structured on a fundamentally different basis: the asset continues to exist and only the place where rights in it are recorded changes. The most developed example is the redomiciliation of a foreign legal entity and acquisition of international-company status under Federal Law No. 290-FZ of 3 August 2018 'On International Companies and International Funds', under which participation rights previously recorded under a foreign legal system become recorded in a Russian register without the rights themselves being extinguished. The model in Principle 15(6)(a), under which the VCC continues to exist when moved, is consistent with that approach; the model in Principle 15(6)(b), based on extinction of one unit and creation of another, is not. Implementing Principle 12 for its principal intended purpose would therefore require not only a substantive rule (see our comment on Commentary 2.37 explaining that an owner of a VCC cannot extinguish it except through retirement), but also a conflict-of-laws solution and rules recognizing a VCC created in a foreign registry to replace one extinguished in Russia. Existing legislation contains none of these elements.			
G. Section V: Illegality (Principle 13)					
381.	Principle 13 (Effect of illegality and non-compliance)	We suggest clarifying that “illegality” may arise not only from general domestic private or criminal law but also from non-compliance with mandatory climate-market regulation in the jurisdiction where the mitigation activity occurs. National	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	with climate-market regulation)	requirements concerning authorization, registration, safeguards, MRV, ownership, benefit-sharing, eligibility, corresponding accounting or permissible uses may determine whether a unit can lawfully be issued, transferred or used, even where a private crediting programme would otherwise recognize the unit. The Principles should therefore preserve the application of mandatory public-law and environmental requirements of the host State.		Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
382.	Principle 13	The treatment of illegality should expressly encompass serious violations of environmental law, environmental crimes, unlawful deforestation, illegal mining, land grabbing, or unlawful occupation of protected areas where these are material to generation of the mitigation outcome. Such clarification would strengthen consistency with environmental integrity objectives.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
383.	Principle 13	The Draft should clarify that material violations of benefit-sharing obligations, mandatory community participation requirements, or legally required consultation processes may constitute relevant forms of illegality under applicable law.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
384.	Principle 13	The provision is somewhat obscure. The black letter text fails to specify both “effect” and “illegality”? Why so few words	Government of Germany		Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		for such big concepts. Does the provision mean the illegality of the underlying project or irregularities in the carbon project cycle? Do the effects include cancelation of the VCC? From the commentary, we conclude that the intention is to ringfence the existence of the VCC against any findings on the legality of the project. But it would be important to state this more clearly. If that is indeed the intended meaning, then illegality of the project has much lighter proprietary law consequences than other events (see P10), and this seems imbalanced.			
385.	Principle 13	As explained above, the illegality of the underlying project – especially where combined with a violation of safeguards – in our view is the core consideration for cancellation. Consequently, transferring this matter to other law is problematic, not least –read in conjunction with Principle 4 and the Principles on Cancellation – this Principle 13 seems to produce the legal effect that the proprietary position in a VCC is protected against illegality of the underlying project.	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
386.	Principle 13	The Principle appropriately leaves questions of illegality to the applicable domestic law, thereby respecting national legal systems and avoiding conflicts with public law regimes. However, additional guidance on the proprietary consequences of illegality, particularly where third parties acquire VCCs in good faith, would strengthen legal certainty.	Government of Pakistan	Ministry of Law and Justice	Pakistan
387.	Principle 13	It is to be ensured that the project proponent has obtained the carbon project in a transparent manner esp. in the case when doing a joint project with a Government entity. And all legal requirements regarding procurement are fulfilled.	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change &	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Environmental Coordination	
388.	Principle 13	May include examples of illegality, such as lack of host country Environmental Protection Agency approval or land rights violation, fake land documents, to clarify the scope of Principle 13.	Government of Pakistan	Saima Saleh, Section Officer (Carbon Markets) Ministry of Climate Change & Environmental Coordination	Pakistan
389.	Principle 13	We suggest clarifying that the effect of illegality on a VCC remains subject to the applicable domestic law.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
390.	Principle [13] ⁵⁶ Principle 10(1)(b)	Undefined boundary between host-State illegality and "complete nullity" leaves innocent acquirers' fate unresolved. Principle Y confines the effect of a project's illegality under host-State law entirely to "other law" (Commentary Y.1–Y.2). Separately, Principle 10(1)(b) allows retrospective, innocent-acquisition-proof cancellation for "complete nullity," illustrated by "the purported creation of a VCC where there was no underlying GHG mitigation project" (Commentary 10.15). The draft never clarifies which regime governs where a project physically exists and initially satisfies Principle 2(1), but is later found by the host State to have been illegal from inception (e.g. invalid land title, absence of a legally required consent). This is the single most consequential interpretive fork in the instrument for secondary-market participants: under Principle Y the illegality has no effect on proprietary status and a good-faith	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

⁵⁶ The submission refers to Principle Y, which is how Principle 13 was referred to in an earlier iteration of the draft instrument, available here: <https://www.unidroit.org/wp-content/uploads/2026/06/Study-LXXXVI-W.G.9-Doc.-3-Draft-Principles-and-Commentary.pdf>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		transferee keeps full Principle 7 protection; under Principle 10(1)(b) the VCC is void <i>ab initio</i> and Commentary 10.23–10.24 confirms Principle 7 does not rescue any subsequent holder, however innocent. Commentary 10.2 calls the three categories of defect “mutually exclusive and jointly exhaustive” but gives no test for allocating upstream illegality between them. Recommendation. Clarify that host-State illegality alone does not establish complete nullity; complete nullity should be reserved for the objective absence of the principle 2(1) constitutive acts, not for a project that factually existed but was conducted unlawfully. Suggested drafting language (new Commentary Y.5). “The illegality of a GHG mitigation project under the law of the host State, standing alone, does not establish that the creation of a VCC arising from that project was a complete nullity for the purposes of Principle 10(1)(b). A project that is illegal under host-State law but that nonetheless factually exists and satisfies Principle 2(9) is not, for that reason alone, treated as never having existed; the consequences of the illegality are governed by other law under Principle Y. Enacting States that wish a particular category of upstream illegality to be treated as complete nullity should so provide expressly in their characterisation under Principle 10(2).”			
391.	Principle 13(2)	Before issuance of VCC, it should be ensured that it is legal in the home country and all the baseline assumptions are realistic. The report of VVBs should be in consistence with the prevailing environmental and cultural practices of the home country	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change &	Pakistan

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
				Environmental Coordination	
392.	Principle 13, Commentary 13.1–13.3 (identification of the applicable “other law” and cross-border effects of illegality)	Principle 13 appropriately leaves the effects of illegality to “other law”, thereby preserving the limited private-law scope of the Principles and avoiding the creation of a uniform substantive regime governing the legality of the underlying GHG mitigation project or other conduct preceding the creation of a VCC. Some further clarification could nevertheless be useful as to the method by which the relevant “other law” is identified in cross-border situations. As defined in Principle 2, “<i>other law</i>” describes the part of a State’s law which is not Principles law. The expression therefore identifies a category of substantive domestic law, but does not itself identify which State’s law is applicable to a particular issue. Thus, the determination that certain conduct is unlawful, as well as the determination of the legal consequences eventually arising from its unlawfulness, would appear to require prior identification of the law applicable to the relevant issue. In this respect, Commentary 13.1 states that, in many cases, the legality of conduct will be governed by the domestic law of the place where that conduct occurred and gives the law of the project host State as the example applicable to the legality of a GHG mitigation project. This will frequently be the appropriate result, particularly as regards the implementation and operation of the underlying project. It may nevertheless be preferable to make clear that this is an illustration rather than an autonomous conflict-of-laws rule established by Principle 13.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		A related point arises in Commentary 13.2, which refers to VCCs registered in “State Y” and indicates that the effects in that State of illegality occurring in “State X” would usually be governed by the law of State Y. Since the Principles elsewhere contain more specific rules for determining the law applicable to proprietary matters concerning VCCs, this formulation could be read as creating an unintended additional connecting factor based simply on the State in which the VCC is registered. We therefore suggest clarifying that Principle 13 does not determine the law applicable either to illegality or to its consequences. Where conduct governed by the law of one State is unlawful and consequences are sought in another State, the law applicable to those consequences should be determined under the conflict-of-laws rules applicable to the particular issue. Where the consequence asserted concerns a proprietary matter, the applicable law should be determined in accordance with the framework established by Principle 4.			
393.	Principle 13, Commentary 13.1–13.3 (Relationship between illegality and revocation)	The distinction between illegality and deliberate wrongdoing, expressly drawn in Commentary 10.11, appears particularly important to the operation of Principle 13 and could usefully be reflected more expressly in its own Commentary. Commentary 10.11 makes clear that illegality is neither necessary nor sufficient to trigger revocation under Principle 10(1)(a). Conduct affecting a constitutive act may amount to deliberate wrongdoing without necessarily contravening another rule of law, while conduct connected with the underlying project may be unlawful under other law without involving deliberate wrongdoing in the verification, approval,	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		crediting or individuation of the VCC. The Draft accordingly separates the lawfulness of the underlying conduct from the validity of the constitutive process by which the VCC came into existence. This distinction is conceptually significant. It avoids treating every infringement affecting the underlying project as automatically producing a defect in the proprietary existence of the VCC, while at the same time preserving the ability of applicable other law to attach civil, administrative, criminal or other consequences to unlawful conduct. Principle 13 could therefore benefit from a short express clarification of both sides of this proposition. On the one hand, illegality does not, merely by virtue of being illegality, constitute a ground for cancellation for revocation under Principle 10. On the other hand, the fact that illegality does not automatically trigger revocation should not be understood as meaning that illegality is incapable of producing any consequence in relation to a VCC under applicable other law. We suggest adding language along the following lines to the Commentary: "Illegality does not, merely as such, constitute a ground for cancellation for revocation under Principle 10. This does not prevent applicable other law from attaching other consequences to that illegality, including consequences affecting a VCC where otherwise permitted by these Principles." Such clarification would help avoid both an over-inclusive reading, under which any unlawfulness affecting the underlying project invalidates the VCC, and the opposite			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		reading, under which illegality becomes irrelevant once the VCC has been validly created.			
394.	Principle 13, Commentary 13.1– 13.3 and Commentary 10.11 (Effect of underlying illegality)	Preserve the role of other law, but remove ambiguity over whether a host State's findings can affect units recorded abroad. Principle 13, Principle 4 and the non-derogation clause should make clear that proprietary recognition neither legalises the project nor prevents applicable remedies for unlawful conduct. Require a registry to record and assess a relevant final judicial or administrative determination of serious underlying illegality, and to implement recognised suspension or cancellation measures through a defined process. Safeguard due process and access to review rather than making any allegation automatically determinative. Commentary 10.11 is correct that not every project illegality falls within deliberate wrongdoing in creation; it should expressly preserve separate cancellation and use restrictions under applicable law. Serious environmental or rights violations must not become legally irrelevant merely because verification paperwork and registry formalities were completed.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
395.	Principle 13, Commentary 13.1, 13.2, and 13.4	The draft already acknowledges (in paragraph 57 of the introduction) that VCCs originating in states with underdeveloped legal infrastructure carry a risk that economic value may be extracted before local property and consent frameworks are in place. Principle 4.2(a) excludes matters related to the carrying out of any underlying carbon mitigation project or to rights and interests in the land and the natural resources.	Sustainable Development Strategies Group (SDSG)		United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		As briefly noted under our comment no.1, the relegation of illegality to “other law” (<i>lex registri</i>) combined with the inherent conflict that it may have with the law of the project host State, leads to a number of problems⁵⁷ which are well known but not addressed by the Principles. Principle 13 concerning illegality should extend further upstream and include more forceful safeguard language so that illegality at the project level is not read as legally irrelevant to the VCCs creation or proprietary status⁵⁸. Finally, Commentary 13.4 should be amended so as to include language indicating that CBs <u>must ensure</u> that a VVB considers these matters as part of the verification process, in order to guarantee compliance with a project’s underlying legal framework and provide the very same legal certainty that these Principles claim to achieve. On this point, and as a matter of policy, the Principles should include language targeting some of the serious concerns already raised by the UN, such as the <u>structural conflicts of interest</u> within carbon credit markets, where project developers, auditors, verification bodies, and standard-setting bodies may have financial incentives that favor the issuance and volume of credits over environmental integrity, thereby embedding risks of overcrediting. The market-driven nature of the system may also discourage the disclosure of irregularities or underperformance, while the fact that verification bodies are selected and paid by project			

⁵⁷ See, ISDA, “Legal Implications of Voluntary Carbon Market”, December, 2021, pg. 10, 20, 30. <https://www.isda.org/a/38ngE/Legal-Implications-of-Voluntary-Carbon-Credits.pdf>.

⁵⁸ See, for example, fn 7, Case Osman & 164 others v Northern Rangelands Trust & 8 others [2025] KEELC 99 (KLR).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		developers creates a further risk that verification may be less rigorous ⁵⁹ .			
396.	Principle 13, Commentary 13.2 and 13.4	The respondent understands the bracketed final sentence of Commentary 13.2, which would leave the effect of illegality on a VCC to other law, to invite comment. The respondent does not object generally to leaving illegality's effects to other law. If that sentence is retained and the express bridge in Comment 4 or Comment 7 is adopted, Commentary 13.2 should distinguish ordinary project illegality from the creation-time capacity condition and cross-refer to Principle 10(1)(b) and Comment 9. Separately, whether or not the textual bridge is adopted, Commentary 13.4 provides an appropriate operational setting. A specification there would confirm, for this limited issue, the approach already reflected in that Commentary, and would not introduce review alien to the instrument. Applicable CB rules could require, as part of verification best practice, a documented assessment of the interest situs law requires for the project and the legal basis on which the proponent claims to hold or exercise it. Although independently adoptable, this operational recommendation complements rather than substitutes for the textual bridge. Verification practice determines whether the question is asked and documented, not the consequences of an omitted or erroneous assessment or reliance on a basis unrecognised by situs law. Those consequences require the express operative basis proposed	Mr Ayşe Şehnaz KART	PhD Candidate in Public Law, Hacettepe University Faculty of Law Attorney-at-Law	Türkiye

⁵⁹ UN General Assembly, Promotion and protection of human rights in the context of climate change: Note by the Secretary-General, UN Doc A/81/217 (17 July 2026), para. 26.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		above. The proposal is without prejudice to community or Indigenous claims, on which this submission takes no position.			
397.	Principle 13, Commentary 13.4 (Scope of the VVB's assessment of compliance with applicable law)	Commentary 13.4 usefully recognises that the legality of the underlying GHG mitigation project and of the process leading to the creation of VCCs may need to be considered before a positive verification statement is issued. Some clarification may nevertheless be desirable as to the nature and scope of the VVB's role in carrying out that assessment. Elsewhere in the Draft, the VVB's functions are described primarily in terms of validation and verification: confirming that the project exists and has been implemented in accordance with the applicable methodology and relevant project documentation; verifying the accuracy of the monitoring report and the achievement of the claimed mitigation outcome; and assessing compliance with applicable CCP requirements, including relevant environmental and social safeguards. Determining whether a GHG mitigation project, or the contemplated creation of VCCs, is lawful under the law of the project host State may in some cases require a qualitatively different form of expertise. Depending on the project and jurisdiction concerned, the assessment may involve questions of environmental and administrative law, land tenure and natural-resource rights, licenses or concessions, community and Indigenous rights, corporate authority or other specialised areas of domestic law. Some of those questions may moreover be unsettled, disputed or subject to pending administrative or judicial proceedings.	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		It may therefore be useful to clarify that Commentary 13.4 does not necessarily require an independent VVB to reach legal conclusions on all such matters. Rather, the VVB should ensure that compliance with applicable law has been appropriately considered as part of the verification process and should be permitted, where appropriate, to rely on legal opinions, determinations by competent authorities or other assessments prepared by suitably qualified persons. The relevant CB or CCP rules could specify the appropriate scope and standard of such legal due diligence, including the circumstances in which independent legal advice should be required and the manner in which the outcome of the assessment should be reflected in the verification statement. [The cross-reference at the beginning of Commentary 13.4 to paragraph 29 of the Introduction might also be revisited. Paragraph 29 presently describes the VVB's verification of the project's existence and implementation, the monitoring report, the applicable methodology, CCP requirements and related safeguards, but does not expressly describe a determination of the project's legality under the law of the host State.]			
398.	Principle 13, Commentary 13.4 Introduction paragraphs 37–40 and 57 (Social integrity and remedy)	Upgrade consideration of project legality from best practice to a documented due-diligence requirement within the proposed quality framework. Include legitimate land and resource rights, meaningful participation, free, prior and informed consent where applicable, protection against displacement and retaliation, biodiversity safeguards, and transparent benefit-sharing arrangements. A governmental authorisation or letter of no objection does not replace rights-holder consent where that consent is	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		required. Likewise, a co-benefit label cannot cure unlawful dispossession or inadequate mitigation. Require accessible grievance procedures that do not exclude judicial remedies or condition access on purchasing credits. Clearly distinguish the legal duties already applicable in a particular jurisdiction from additional safeguards recommended by these Principles. Require publication of material findings and corrective action, while protecting complainants' identities and sensitive community information. Respect for rights should be a baseline condition, not merely a market premium.			
H. Section VI: Registry (Principles 14-15)					
399.	Principles 14–15 (Distinction between a VCC registry and domestic regulatory registries)	It is suggested to clarify that the “VCC registry” defined in Principle 14, in which VCCs are identified and their holdings and movements between accounts are recorded, is conceptually distinct from domestic registries that States may establish for regulatory purposes, including the registration and monitoring of mitigation activities, transparency, reporting, authorization or climate accounting. Accordingly, the recording of a VCC in a VCC registry should not be understood as satisfying or replacing registration obligations imposed under applicable domestic law.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
400.	Principles 14–15 (Registry functions and distinction between private and Article 6 registries)	The Principles should distinguish private VCC registries from registries established or used for regulatory and Article 6 purposes. Private crediting registries may perform important issuance, ownership and transactional functions. However, registries operating under Article 6 also perform public accounting and tracking functions , including recording	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		authorization status, first transfer, transfer, acquisition, use towards NDCs or other international mitigation purposes, cancellation and other internationally relevant actions. Consequently, registry entries cannot be treated exclusively as evidence of proprietary ownership, and a change in registry holding should not automatically be equated with a transfer for Article 6 accounting purposes.		Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
401.	Principle 14-15	The Draft does not address transparency regarding project-level sanctions, suspensions, investigations, or integrity-related findings. Consideration could be given to requiring registries to display material information affecting confidence in a VCC.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
402.	Principles 14-15	The registry framework establishes a clear legal basis for identifying ownership and recording interests in VCCs, which is essential for market transparency and integrity. Consider including minimum governance, cybersecurity, interoperability, and record-retention standards for registry operators to promote consistency across jurisdictions.	Government of Pakistan	Ministry of Law and Justice	Pakistan
403.	Principles 14-15 (Presumption as to the registered holder)	The terms of use of major VCC registries, including Verra and Gold Standard, currently disclaim any responsibility on the part of the registries for determining the ownership of, or legal title to, carbon credits. Those registries effectively function as record-keeping systems for the convenience of market participants, without accepting responsibility for title assurance. These comments recommend that the	Emergent Forest Finance Accelerator, Inc.	Jean-Philippe Brisson, Latham & Watkins LLP Michael Dreibelbis, Latham & Watkins LLP	United States of America

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Commentary address this gap and encourage implementing States to establish a legal presumption that, absent evidence of contrary custody arrangements or documented competing interests, the registered holder of a VCC is the person with proprietary rights in the VCC. Such a presumption would align the registry-centered framework of the Draft Principles with the practical reality that market participants and lenders consult the registry as the primary source of information about VCC ownership.		Eric Freedman, Greenberg Traurig, LLP Claire Suni, Greenberg Traurig, LLP Elisabeth Yandell McNeil, Greenberg Traurig, LLP Jeremy D. Weinstein, The Law Offices of Jeremy D. Weinstein, P.C.	
404.	Principles 14 and 15	The VCC registry and the carbon unit registry The definitions in Principle 14 are intentionally minimalist (Commentary 14.3) and are not inconsistent with the Russian structure. The carbon unit registry is an information system in which climate projects are registered and carbon units and transactions in them are recorded (paragraph 2 of the Rules approved by Resolution No. 790 of the Government of the Russian Federation dated 30 April 2022); the operator maintains accounts, executes transactions on them, and places units into circulation (paragraph 57 of the Rules). The absence of any public-access requirement in Principle 14(1) (Commentary 14.4) is likewise consistent with the Russian model, under which only aggregate information is made publicly available. The only divergence is that both record-keeping functions are combined in a single system. This is addressed in our comment on Introduction paragraph	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		27, where we propose clarifying Commentary 14.1 to state that Section VI applies to the part of the system in which accounts are maintained, irrespective of whether that part is technologically separate. Source of the registry operator's duties: registry rules or legislation Principle 15(1) is built on a private self-regulatory model: the minimum duties must be provided for in the registry rules (Principle 14(7)), incorporated into the account agreement, and incapable of exclusion by agreement. The Russian model is different. There is no single body of rules drafted by the operator: establishment and operation of the registry and the conduct of transactions are governed by Rules No. 790, while the relationship between the operator and the accountholder is governed by the standard-form agreement approved by Resolution No. 905 of the Government of the Russian Federation dated 20 May 2022 pursuant to Article 10(5) of Federal Law No. 296FZ of 2 July 2021. Those instruments delegate certain matters to the operator. For example, the operator determines the list of documents substantiating changes to registry information on the climate project and the applicant (paragraph 19 of Rules No. 790), and the procedure for interaction between the client and the operator when labelled carbon units and quota-fulfilment units are traded on organized markets (paragraph 11 of the standard-form agreement). Such operator rules, however, are adopted only within express delegations and do not constitute an independent source of the operator's duties: the duties listed in Principle 15(2) are imposed directly by legislation. Legislation therefore serves			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		as the functional equivalent of registry rules. The result sought by Principle 15(1) is in fact achieved more fully: the operator's duties are mandatory and cannot be varied either by the operator or by agreement between the parties, which goes beyond Principle 15(1)(c). Formally, however, Principle 15(1)(a), requiring the relevant duties to be provided for in registry rules, is not satisfied. This is the same type of divergence as that identified above in relation to Principles 2(11) and 2(12): the draft describes institutions by reference to the structure of independent carbon standards and does not fully accommodate schemes established by States. The duties in Principle 15(2)(f) and (g) are entirely absent from the Russian framework: compliance with an instruction from the CB to cancel a unit for revocation, and the prohibition on complying with such an instruction from any other person. The reason is explained in our comment on Principle 10: Russian legislation contains no institution of revocation, no CB as such, and does not permit units to be debited from an account against the owner's will. This part of Principle 15 cannot be implemented without legislative amendment. Segregation of units from the registry operator's creditors (Principles 15(3)-(5)) We strongly support the provisions excluding registered VCCs from assets available to the registry operator's creditors. We note, however, that Russian law contains no express rule to that effect. The required result would very likely be reached even without one: the registry operator is			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		not an owner of carbon units within Article 2 of Federal Law No. 296-FZ of 2 July 2021, the units are recorded in their owners' accounts and are not reflected as assets of the operator, and there is therefore no apparent basis for including them in the insolvency estate under Article 131 of the Federal Law 'On Insolvency (Bankruptcy)'. We nevertheless consider that position insufficiently secure. Article 131 defines the insolvency estate as all property of the debtor and permits exclusions only where legislation expressly provides for them. As explained in our comment on Principle 3, proprietary remedies used to exclude third party tangible assets from an insolvency estate do not apply to carbon units. Nor can the law of safekeeping under Chapter 47 of the Civil Code provide the basis, because the object of a safekeeping contract is a tangible thing (Article 886(1)). The result therefore depends on interpretation rather than an express rule, which is unsatisfactory for a question determining the fate of an asset on the insolvency of a market-infrastructure operator. Russian law provides a model solution: in depository activity, securities belonging to depositors cannot be subject to enforcement for the obligations of the depository (Article 7 of Federal Law No. 39-FZ of 22 April 1996). An analogous rule should be extended expressly by statute to carbon units. This would supplement the set of parallel rules identified in our comment on Principle 3. The registry operator's own account (Principle 15(3)(b), Commentary 15.17) We support the carve-out as a technical matter, but consider it undesirable for the registry operator to hold a proprietary			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		position in VCCs for its own account. The operator has complete information on balances and transactions across all accounts — non-public information about the market as a whole. Trading for its own account in possession of that information would undermine the conception of the registry as neutral infrastructure emphasized in Commentary 7.7. Liquidity provision is a function of a professional market participant, not of the record-keeper. Moreover, the operator charges for transaction services, so transactions on its own account would effectively involve providing services to itself. A distinction not drawn in Commentary 15.17 is important here. The operator maintains specialized accounts required for the operation of the scheme itself — the account for units withdrawn from circulation and, under Russian regulation, the reserve account. It administers those accounts technically, without owning the units held in them and without providing services in respect of those units. Treating such units as VCCs held by the operator 'for its own account' would bring them within the operator's assets available to its creditors, which would defeat the purpose of those accounts. Russian legislation imposes restrictions of this kind on organizers of trading and professional securities-market participants, but not on the carbon unit registry operator. Neither Rules No. 790 nor the standard-form agreement approved by Resolution No. 905 addresses conflicts of interest, so the relevant restrictions are currently imposed only through the operator's internal policies. We suggest revising Commentary 15.17 to state that VCCs held in specialized accounts maintained by the operator as part of the scheme's infrastructure do not fall			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		within the carve-out in Principle 15(3)(b) and remain protected by Principles 15(3)-(5). The Commentary should also state that combining operation of the registry with participation in VCC trading is undesirable and, where required by national law, should be subject to functional separation and information barriers. Movement of units between registries (Principle 15(6)) This is not currently applicable in the Russian Federation: legislation provides no mechanism for moving carbon units to another registry, and the model in Principle 15(6)(b) additionally encounters the absence of voluntary cancellation as a legal institution (see our comments on Principle 12 and on Principle 4 concerning the absence of a conflict-of-laws rule for such movement).			
405.	Principles 14-15, especially Principle 15(2)(b)-(c), 15(6); Commentary 15.8-15.9, 15.21-15.23 (Registry integrity and traceability)	Principles 14 and 15 already give registry records a central private-law role. Principle 15(2)(b) requires a unique identifier and one, and only one, registry entry for a VCC at any one time. Principle 15(2)(c) requires adequate records of creation, credits and debits, retirement and cancellation. Commentary 15.8 describes the unique identifier and single-entry duty as “critically important” to individuation and identification, while Commentary 15.9 states that the required records concern matters “vitally important to the existence of the VCC”. These provisions show that the registry is central to the identification and legal continuity of a VCC. The registry is therefore the critical institutional point at which information infrastructure and property infrastructure intersect. Registry	Dr George Yijun TIAN	Associate Professor at the Faculty of Law, University of Technology Sydney, Australia <i>Comments submitted in academic capacity</i>	Australia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		integrity should include not only the existence of an entry, but the reliability, continuity and traceability of records connecting the legal status of a VCC with relevant lifecycle events. The main recommendation is traceable linkage rather than data centralisation. A VCC registry need not store every project, methodology or verification document. What matters is that the VCC can be reliably linked - directly or through authoritative records - to three categories of information: (i) identity and registry history; (ii) authoritative methodology and verification references; and (iii) relevant lifecycle events, including retirement, cancellation and, where applicable, overissuance, remedial action or movement between registries. This is especially important where VCCs move between registries. Principle 15(6) contemplates such movement. Commentary 15.21 states that avoiding double counting is “very important” and the bracketed text proposes that, if a new serial number is used, there should be “a robust way of tracing the VCC from the first unique identifier to the second”. I support retaining that tracing requirement. It is a concrete example of the broader principle of traceable linkage. Recommendation: The Commentary to Principles 14 and 15 could clarify that registry integrity includes the reliable preservation and traceability of information necessary to identify a VCC, establish its registry history and connect its current legal status with relevant lifecycle events, including where records or VCCs move between interoperable systems. This concerns reliable linkage, not mandatory			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		centralised storage, and would remain within the Principles' private-law scope. <i>Possible wording: "Registry integrity includes the reliable preservation and traceability of information necessary to identify a VCC, establish its registry history, and connect its current legal status with relevant lifecycle events. This does not require all underlying information to be stored in the VCC registry, provided that reliable links to authoritative records are maintained."</i>			
406.	Principle 14	Principle 14, as I understand it, defines the functions of a registry operator and the status of registry account holders. I submit that the registry is the natural, and — in Thailand's experience — the most operationally coherent point at which the authorization layer described in my general comments above can be given legal effect without disturbing the Principles' treatment of title, transfer, custody or security. I recommend that Principle 14 or its commentary expressly recognise the capacity described in my comment on Principles 5 and 6 above: that a registry operator may embed authorization attributes into a VCC at the instruction of the competent public authority of its country of origin. I would welcome the opportunity to brief the Working Group further on GaiaSwap's proposed implementation of this model with Thailand's TGO and DCCE.	Mr Ingo Puhl <i>Comments provided in a personal capacity</i>	Chief Executive Officer, GaiaSwap Pte. Ltd.	Singapore
407.	Principle 14(1) and Commentary 14.4 (Transparency and public accessibility of registry information)	It is suggested to clarify that the absence of a general public-access requirement in the definition of a "VCC registry" is without prejudice to transparency and access-to-information obligations that may be established under applicable law. States should retain the ability to require disclosure of relevant information concerning mitigation activities, VCCs,	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR)	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		their status and traceability where necessary for purposes of environmental integrity, supervision, prevention of double counting or market transparency, subject to the exceptions and confidentiality protections established under each domestic legal system		Ministry of Environment and Sustainable Development	
408.	Principles 14(1) and 15(2)(b)–(c) (Minimum credit data)	Expand the mandatory data beyond serial number and accountholder. Require a stable link to the project and verification period; host State; Crediting Body and methodology version; reduction, avoidance or removal classification; gas and CO2-equivalence metric; net quantity; storage duration and reversal arrangements; quality assessment and limitations; authorisation and corresponding-adjustment status; and the unit's active, suspended, retired or cancelled status. The registry need not independently redo the scientific assessment. Its duty should be to obtain the prescribed information from accountable sources, maintain provenance, reconcile inconsistencies and record verified updates. Identify the responsible information provider for each field. Where credits form a block, material attributes must remain traceable when it is split. A common block identifier must not conceal mixed mitigation categories, vintages or quality characteristics. These data support identification of the asset and informed contracting as well as environmental oversight.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
409.	Principle [14(1)-(2)] and Commentary [14.5] ⁶⁰	“Operates” threshold may exclude already-existing decentralised/blockchain-native VCC issuance entirely. Commentary 12.2 requires “a legal person who has sufficient control to be said to operate” the registry; an “entirely decentralised system” is excluded. The bracketed Commentary 12.5 defers detail to the future Tokenisation annexe but native blockchain-based VCC issuance is already live (Introduction para 55, footnote 13, naming an existing platform). Depending on governance design (permissioned validator consortium, DAO, or foundation with only limited emergency powers), it may be unclear whether “a legal person with sufficient control” exists. If not, such units fail Principle 2(1)(c) entirely and receive none of the Principles' protections, Principle 3(1), for Principle 7, Sections VII–IX, regardless of valid, independent verification of the underlying mitigation outcome, purely as an artefact of ledger governance, in tension with the draft's own claim to be “technologically neutral” (Commentary 4.2). Recommendation: Interim guidance, pending the Tokenisation annexe, that a sufficiently identifiable governance mechanism able to perform Principle 13(2) functions satisfies the “operates” test even on a public, permission-less ledger. Suggested drafting (new Commentary 12.5bis): “Pending the Working Group's development of the Tokenisation annexe, a blockchain-based or other decentralised system should be treated as 'operated by a registry operator' for the purposes of Principle 12(1)–(2) where an identifiable legal person, or a defined group of legal persons acting through a governance	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurbur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

⁶⁰ The submission refers to Principle 12, which is how Principle 14 was referred to in an earlier iteration of the draft instrument, available here: <https://www.unidroit.org/wp-content/uploads/2026/06/Study-LXXXVI-W.G.9-Doc.-3-Draft-Principles-and-Commentary.pdf>.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		mechanism such as a multi-signature arrangement, consortium, or foundation, retains the practical ability to perform the functions described in Principle 13(2), notwithstanding that day-to-day recording occurs on a distributed and otherwise decentralised ledger.”			
410.	Principle 14(5)	Relationship with the National Registry is to be defined.	Government of Pakistan	M Hammad Bashir Carbon Market Specialist Ministry of Climate Change & Environmental Coordination	Pakistan
411.	Principle 14(5)	We suggest recognizing that registry accounts may also be governed by legislation or the rules of the relevant mechanism, and not only by contractual account agreements.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
412.	Principle 14, Commentary 14.4 Principles 8, 9 and 15 (Public transparency)	Replace the categorical assumption that account information is inappropriate for public access with a proportionate distinction. Personal data and commercially sensitive holdings may warrant protection; unit provenance, status, methodology, material integrity findings and retirement purpose should normally be publicly accessible. The public should be able to verify a claim without needing permission from the current holder. Provide searchable, machine-readable records and stable links between the project and unit registries. Retain archived versions and reasons for changes. Publish retirement beneficiaries where necessary to substantiate public claims	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		and lawful under applicable data-protection rules; use proportionate arrangements for individuals. At minimum, prospective purchasers and secured creditors must have reliable access to restrictions and dispute notices relevant to their transaction. A system cannot rely on constructive notice while withholding the information needed to discover the relevant warning.			
413.	Principle 14, Commentary 14.5	Para. 14.5 – bracketed optional text- please see our other general remarks on the use of blockchain/tokenisation	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
414.	Principle 15	The Draft could encourage registry operators to maintain auditable records of beneficial ownership interests where permitted by applicable law. This would strengthen transparency and assist efforts to prevent fraud, market manipulation, and conflicts of interest.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
415.	Principle 15 Principles 20-25, especially Principle 24	<u>Issue:</u> The draft contains no express safeguard for the immunity of States or their property. It permits security rights over credits, while Commentary 24 states that all enforcement actions, including disposal and acceptance of collateral in satisfaction of a debt, should be available. Some credits may	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		be owned by a State or public authority and used for governmental, non-commercial purposes, while other credits may be traded commercially. It is therefore inappropriate to presume either immunity for all credits or automatic availability of attachment and execution. A choice of foreign law does not by itself amount to consent to the jurisdiction of foreign courts, and consent to jurisdiction does not imply consent to measures of constraint. <u>Recommendation:</u> Add an express saving clause providing that the Principles do not affect any immunity from jurisdiction, legal process, attachment, or execution enjoyed by a State, a State entity, or their property under applicable international or national law. Immunity from adjudication and immunity from measures of constraint should be determined separately, with State property remaining immune from measures of constraint unless a recognised exception applies under the applicable law. Commercial dealing in a State-owned VCC, registry participation, a custody or control arrangement, the granting of a security right, or a choice of applicable law should not, by itself, constitute consent to jurisdiction or a waiver of immunity. Consent to jurisdiction should not be treated as consent to attachment or execution. Commentary 24.2 should be amended accordingly, with an explanatory reference to Articles 18 to 21 of the 2004 United Nations Convention on Jurisdictional Immunities of States and Their Property as a relevant reference.			
416.	Principle 15	1. There is a distinction drawn in transferring VCCs between registries and cancelling a VCC before creating a new VCC in a different registry. The distinction may be a theoretical	GenZero	Ms Sim Ting	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		question. For market participants, what matters is retaining title to the relevant VCC. How this is effected is less material, so long as the transfer is seamless. 2. That said, to maintain methodological integrity, there should generally be a protocol to assess and confirm the following: • That the transfer is to an equivalent methodology and number of VCCs • All parties are agreeable to the different registry terms That the VCCs in one registry confirmed as cancelled before re-issue under the rules of another registry.		Head, Corporate Services Group and General Counsel	
417.	Principle 15	We agree with the distinction between transferring VCCs as opposed to cancelling and re-creating credits in a different registry. This is important, particularly due to increasing instances of legislation introduced by states to require the “transfer” of VCCs generated from that jurisdiction to a national registry. Where a VCC is issued to a registry subject to the rules of a particular carbon crediting program (CCP), that VCC cannot be transferred to a registry subject to a different CCP as the basis for the creation/issuance would be different. As such, the VCC would not be the same asset in a different registry subject to a different CCP. Instead, the VCC would need to be cancelled and reissued (re- created) in the other registry. Where the VCC is transferred to a registry subject to the same CCP, the matter is merely a transfer of the data reflecting the recordation of the VCC in the other registry. This distinction is important because different CCPs use different rules and different	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		methodologies making it impossible for the recordation in another registry under different CCP to reflect the same asset. This would also entail a change in the unique identifier. Legal issues could still arise, depending on the growth in demand for registry interoperability. The principles do not address how this may prevent the transferability of a custody arrangement or security interest from one registry to another registry if the second registry is subject to a different CCP.			
418.	Principle 15(1)–(2) (Non-excludable operational duties)	Add non-excludable duties to implement valid suspension, correction and cancellation decisions; promptly relay material integrity notices; reconcile outstanding and retired quantities; and preserve the audit trail after accounts close. Extend the instruction framework beyond revocation alone to the revised Principle 11 and the proposed reversal provision. Provide a documented, reviewable power to pause disputed transactions where there are credible grounds of material error, double use or lack of authority. Private control agreements and unpaid fees must not block a legally required environmental correction. Preserve appropriate compensation for wrongful action without requiring an operator to execute an unlawful or integrity-defeating instruction. Strengthen record security, backup and orderly-transfer duties so continuity is not only assumed. Specify continued access to retirement and cancellation records if the operator	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		ceases business. The relevant private duties should sit alongside proportionate regulatory supervision.			
419.	Principle 15(2)(b) and Commentary 2.19	Principle 15(2)(b) obliges a registry operator to assign a unique identifier to a VCC and to maintain one, and only one, entry in the registry relating to that VCC at any time. This is, in the Project's view, the private law expression of the requirement of uniqueness, and it is stated as an obligation of the registry operator that, under Principle 15(1)(c), cannot be excluded by agreement. That provision is the natural home for the concern raised in Commentary 2.19 concerning rounding errors and double counting in the splitting of blocks, which the bracketed text presently refers to regulatory law. We should suggest a cross-reference between the two, so that the consequences of a failure of individuation are located in the duty owed by the registry operator under Principle 15(2)(b) rather than left exclusively to regulation. This would also make the enforcement of that duty available to the registered holder as a matter of private law, which is the perspective from which the Principles are drafted. Furthermore, Principle 15(2)(b) should explicitly encompass registry safeguards to address all overissuance scenarios. In cases of overissuance without deliberate wrongdoing, identifiers should also be promptly established to inform third parties and prevent such situations. This should apply notwithstanding that, in such cases of overissuance, the relevant VCCs have not been cancelled, as would be mandatory if the twenty-four-month period proposed in	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Comment 15 for remedying the overissuance were to expire without the overissuance having been remedied.			
420.	Principle 15(2)(c)	The minimum record-keeping obligations should include retention periods sufficient to support long-term environmental accounting, investigations, enforcement proceedings, and climate reporting obligations. Carbon-market records may remain relevant for decades after issuance.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
421.	Principle 15(2)(f)	It is proposed that paragraph (2)(f) be revised as: “comply with registry rules, or with any instruction from or authorised by the relevant CB in accordance with its rules and/or the CCP, or as required by a legally binding order of a court or other competent authority determined by other law to cancel a VCC for revocation in accordance with Principle 10;”	Government of China		People’s Republic of China
422.	Principle 15(2)(f)	Principle 15(2) lists the functions that the registry operator must comply with in order to be considered as registry that issues VCC in accordance with these Principles. While subparagraphs (a)-(e) and (h) of Principle 15(2) is of more general nature and could potentially be applicable to all situations and VCCs, subparagraphs (f) and (g) of Principle 15(2) represents a special instance related to the issue of revocation of VCC. Revocation under these Principles is applicable to certain situations described in Principle 10. It does not apply to all	Government of the Russian Federation	Ms Vera Korytova Deputy Head of Division, Legal Department, Ministry of Economic Development	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		VCC and does not represent a process that all VCCs undergo during their life-cycle. We are of the view that it would be more <u>appropriate to indicate in Principle 15(2)(f)</u> that this paragraph applies only in certain circumstances. For instance, in the following manner: “[...] (f) comply with any instruction from or authorised by the relevant CB in accordance with its rules and/or the CCP, or as required by a legally binding order of a court or other competent authority determined by other law to cancel a VCC for revocation in accordance with Principle 10, as appropriate; [...]”			
423.	Principle 15(6)	Transfers between registries should be accompanied by minimum interoperability and verification safeguards. It is recommended that the commentary emphasize maintenance of continuous traceability, preservation of historical records, and verification that migration processes do not result in duplication or loss of environmental attributes.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
424.	Principle 15(6); Commentary 15.21–15.23 (Migration and tokenisation)	Condition migration on verified closure or locking of the original entry, a persistent link between old and new identifiers, and reconciliation preventing duplicate issuance or use. Preserve the original mitigation vintage, classification, deficiency notices, authorisation conditions	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		and outstanding remediation duties. A new creation date must not reset any overissuance challenge period. Do not allow migration to a different Crediting Body to cleanse a failed quality assessment or convert avoidance into removal. Reverification must address the underlying evidence and prior findings, not merely generate new documentation. Retired or substantively invalid units must not be reissued as active credits through this route. Apply equivalent safeguards in the planned tokenisation annex: prevent parallel use of the token and underlying unit, synchronise suspension and retirement, and preserve legal recourse. Revise Introduction paragraph 59: ledger immutability cannot establish the truth of off-chain mitigation data or by itself prevent double counting.			
425.	Principle 15(6) (Suggestion for alignment with an existing international instrument)	Principle 15(6) addresses the movement of a VCC from one registry to another. Where the VCC continues to be governed by the same registry and crediting body rules, it continues to exist; where it does not, it is cancelled in the first registry and a new VCC comes into existence on crediting in the second, provided the definition in Principle 2 is met. The Project supports the rule and observes that it addresses, in a registry context, the same problem that arises on a change of medium for transferable documents: the need to ensure that the same unit does not enjoy simultaneous effect in two places. The technique adopted internationally in that context is instructive and closely parallel. Section 4 of the United Kingdom Electronic Trade Documents Act 2023 requires that, on conversion, the previous document ceases to have effect as a transferable document and that a	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		statement of conversion be incorporated. The French Décret No. 2025-811 of 12 August 2025 and the recent Argentine draft legislation adopt equivalent solutions, the latter prohibiting expressly that the same document should have simultaneous legal validity in more than one medium. We suggest a reference in the Commentary to Principle 15(6), both because it situates the rule within a recognisable international technique and because the parallel may assist States which have already legislated on electronic transferable records.			
426.	Principle [15(6)] ⁶¹	No private-law floor for registry-operator failure; “same rules” migration test is an unworkable cliff-edge. Commentary 13.3–13.4 acknowledges that a registry operator's cessation, insolvency, or destruction of records could leave holders practically unable to transfer or retire VCCs, yet relegates the entire mitigation to “regulation... beyond the scope of these Principles”, thus leaving no private-law floor preserving proprietary rights through an outage, unlike comparable intermediated-holding regimes. Separately, the “same registry and CB rules” test at Commentary 13.21–13.22 is binary: any change in registry or CB rules during a migration (near-inevitable in a genuine emergency migration, a new software vendor, updated cybersecurity procedures, minor amended terms) triggers cancellation of the “old” VCC and creation of a “new” one, extinguishing associated security rights (Section VIII) and custody arrangements (Section VII) absent express saving provisions, even though the underlying mitigation outcome	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

⁶¹ The submission refers to an earlier iteration of the draft instrument where current Principle 15 was referred to as Principle 13 (see <https://www.unidroit.org/wp-content/uploads/2026/06/Study-LXXXVI-W.G.9-Doc.-3-Draft-Principles-and-Commentary.pdf>).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		is unaffected. Recommendation: Add a continuity floor preserving proprietary status through an operational failure based on the last reliable registry record, and refine the migration test to turn on whether the change affects the identity/quantum of the represented mitigation outcome, not on whether any wording change occurred. Suggested drafting language (new Principle 13(7)). “A proprietary right in a VCC that subsisted immediately before the cessation, for any reason, of the operations of the VCC registry in which that VCC was recorded is not, for that reason alone, extinguished, and continues to be enforceable against the registered holder, secured creditors and third parties on the basis of the last reliable record of the VCC registry, pending resumption of the registry's operations or transfer of its records to a successor VCC registry.” And amend Commentary 13.21 (new 13.21bis). “Whether a change in registry or CB rules accompanying a migration prevents the migrated VCC from being treated as the 'same' VCC under paragraph (6)(a) should depend on whether the change affects the identity, quantum, or other constitutive characteristics of the mitigation outcome represented, not on whether any wording change has occurred. Immaterial or emergency-driven changes made solely to enable continuity of operations should not, of themselves, trigger cancellation and re-creation under paragraph (6)(b). Key References. <i>Andrew Williams, 'Are You a Victim of Stolen Carbon Credits?' (HFW, 12 April 2011) <https://www.hfw.com/victim-of-stolen-carbon-credits> accessed 6 September 2026; UNIDROIT Convention on</i>			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>Substantive Rules for Intermediated Securities (adopted 9 October 2009, Geneva) arts 21, 25(6).</i>			
427.	Principle 15, Commentary 15.2	The Draft should acknowledge cybersecurity as a core market-integrity issue. Registry governance standards could include expectations regarding cyber resilience, incident reporting, recovery protocols, business continuity, and protection against unauthorized alteration of records.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
I. Section VII: Custody (Principles 16-19)					
428.	Principles 16–19 (Custody, account control and authority to undertake regulatory actions)	The recognition of custodial arrangements should not imply that a custodian, account holder or proprietary owner is entitled to undertake every regulatory action associated with a carbon unit. For units subject to Article 6 or national authorization frameworks, proprietary ownership or custody should be distinguished from the authority to request or obtain authorization, determine the authorized use of a mitigation outcome, effect an internationally relevant transfer, modify an authorization or undertake other actions reserved to a participating Party or competent public authority. The Principles should clarify that custody and control of the account do not confer sovereign or regulatory powers attached to the mitigation outcome.	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
429.	Principles 16–19 (Custody and compliance with regulatory restrictions)	It is suggested to clarify that custody of a VCC and the ability to give instructions in respect of the relevant account do not, in themselves, confer authority to undertake actions that, under applicable law, are reserved to a public authority or are subject to regulatory authorization.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
430.	Principles 16-19	The custody provisions appropriately define the duties and liabilities of custodians while protecting clients against operational and insolvency risks. Greater clarification regarding segregation of client assets, sub-custodian liability, and applicable standards of care would further enhance investor protection.	Government of Pakistan	Ministry of Law and Justice	Pakistan
431.	Principles 16-19	Substantive alignment with Russian law The requirements in Principle 17(1) are already implemented in Russian law for another class of assets. A securities depository may not dispose of a depositor's securities or exercise rights in them except on the depositor's instruction; it must segregate depositors' securities from its own; it may itself become a depositor with another depository; and depositors' securities cannot be subject to enforcement for obligations of the depository (Article 7 of Federal Law No. 39-FZ). The results in Principles 19(2), 19(3), and 19(6) are achieved by Article 185.5 of the Federal Law 'On Insolvency (Bankruptcy)', which excludes clients' property held by a professional securities-market participant from the insolvency estate and provides for pro rata satisfaction of	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		clients' claims in the event of a shortfall. Principle 19(5) has no direct analogue but is not inconsistent with Russian law. The principal obstacle: closed categories of eligible assets Despite this functional alignment, Section VII cannot currently be implemented in the Russian Federation. All Russian legal mechanisms for segregating client assets are built around closed categories that do not include carbon units: depository activity applies to securities; the objects of fiduciary management are listed in Article 1013 of the Civil Code; the subject matter of escrow may be movable tangible things, non-cash funds, and uncertificated securities (Article 926.1); and the subject matter of safekeeping is a tangible thing. Russian law contains no general rule allowing an intangible asset to be segregated for the benefit of an intermediary's client. This is the same difficulty discussed in our comment on Principle 3: the result required by the Principles can be achieved only by expressly extending the relevant rules to VCCs, not by interpreting existing provisions. We suggest reflecting this in Commentary 17.1 by stating that, in legal systems of this kind, implementation of Section VII requires an express legislative solution and that it is sufficient to extend the regime already applicable to assets in which rights are recorded by account entries. Absence of a custody layer in the registry. The difficulty is compounded by the design of the carbon unit registry itself. The Rules approved by Resolution No. 790 of the Government of the Russian Federation dated 30 April 2022 provide for an account to be opened for a carbon-unit market			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		participant, but contain no concept of an account on which units are recorded for third parties — in other words, no equivalent of a nominee holder or depository. An intermediary opening an account would therefore be treated as the owner of the carbon units for the purposes of Article 2 of Federal Law No. 296-FZ of 2 July 2021, while the client would have no right reflected in the registry at all. The distinction between registered holder and holder of a proprietary right on which Principles 5(1)(b), 14(6), and 16(5) are based cannot be reproduced in the Russian registry. We consider that this deserves mention in the Commentary to Principle 14 or 16: the technical and legal ability of a VCC registry to maintain accounts on which VCCs are recorded for third parties is a prerequisite for application of Section VII as a whole, and States should ensure that such functionality is available on implementation. Principle 18 Our observations are set out in relation to Principle 7 and are not repeated here. The 'should have known' standard in Principle 18(2) refers to national rules on innocent acquisition. Outside the specific rules for uncertificated securities and participation interests, Russian law contains no such rules for intangible assets recorded in registries.			
432.	Principles 16-19 (Custody and protection of ownership)	UNIDROIT provides detailed rules for custodians. A custodian must safeguard VCCs, must not use them for its own benefit without proper authorisation, and must comply with valid instructions from the client concerning transfer or retirement.	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily</i>	Dr Sami Al Suwailem, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		This is broadly compatible with Islamic concepts of amānah, wakālah and fiduciary responsibility. For Islamic financial institutions, these provisions could provide a useful basis for structuring VCC custody arrangements, particularly where a bank or investment institution holds VCCs on behalf of clients. The framework is also useful in insolvency because proprietary rights that have become effective against third parties generally remain effective against an insolvency representative and creditors, subject to applicable insolvency rules. Shariah assessment: Compatible and potentially useful for Islamic financial-market infrastructure.	<i>represent the official views of the IsDB Institute or the IsDB</i>		
433.	Principles 16-19	Any governing framework must recognise that the market operates through a custody-like structure in which credits are frequently held in registry accounts maintained by intermediaries, carbon asset developers or other service providers on behalf of project proponents, sellers, purchasers or downstream users. In many transactions, legal title, beneficial title and control are not co-extensive. Credits may sit in an intermediary-controlled account for extended periods pending onward transfer, retirement or compliance delivery. That practical reality is not reflected with sufficient precision in many current market documents, which often assume a straightforward account-holder/owner identity that does not exist in practice. This leads to risk for all parties in circumstances of dispute over the authorized holder not just of the credits but also of the proprietary rights in the carbon credits. In turn, that risk may have a chilling effect on the market, impeding fungibility and discouraging	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		larger institutional investors from entering carbon markets. We therefore broadly support the detailed approach to custody provisions set out in the draft Principles.			
434.	Principle 17	Custodians should be expected to maintain systems capable of documenting the chain of custody of VCCs for audit and compliance purposes. Such records are essential for transparency and dispute resolution.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
435.	Principle 17	The Draft could acknowledge minimum expectations regarding management of operational, technological, and cybersecurity risks by custodians holding environmental assets.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
436.	Principle 17(1), (3) and Commentary 17.4–17.7 (Safeguarding and notice)	Make recordkeeping, reconciliation and segregation of client and house assets mandatory rather than merely suggested. Add a duty to communicate material changes in credit status promptly, including notices received after a client has instructed retirement. The custodian should preserve records identifying the beneficiary and the units used.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Qualify the unconditional retirement instruction in paragraph (1)(d) by applicable law, registry restrictions and recorded integrity suspensions. Require the same safeguards throughout sub-custody chains, including a route for notices to reach the ultimate beneficiary. Where a custodian replaces missing units, require comparable quality and the appropriate mitigation category and durability; equivalent monetary value is insufficient. Any client consent to lending, collateral use or other reuse should be specific and informed, with disclosure of the risk of losing access to the original credits and their associated remedies.			
437.	Principle 17(1)(a); Commentary 17.2, 17.4 to 17.7 and 17.16	This comment is due to BUSTILLO SAIZ, M. M., author of the commentary on Principle 11 of the DAPL published by the Project, which is the provision on which Principle 17 of the present draft is modelled. The Project welcomes the systematic improvement of placing the duty of safeguarding first in Principle 17(1)(a), by contrast with the third position it occupies in the equivalent Principle 11(c) of the DAPL. The change is not merely one of order, since that obligation largely defines the legal configuration of the custodian's position, and placing it first states as much. The improvement is not, however, sufficient. We respectfully suggest that the black-letter text should make explicit the duties which the primary obligation of safeguarding necessarily or generally comprises, rather than leaving them to be gathered from the Commentary. By way of illustration, Principle 17(1)(a) might read that the custodian is obliged to	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		safeguard the VCC and, consequently, to observe all those duties implicitly included in its diligent fulfilment. The duties in question are already identified across the Commentary, which is itself an argument for stating them in the Principle. Commentary 17.2 clarifies that safeguarding includes achieving the result laid down in Principle 19(2), namely that the assets safeguarded do not form part of the assets available for distribution to the custodian's creditors in an insolvency-related proceeding. Commentaries 17.4 to 17.7 contemplate further safeguarding duties, mandatory only where the relevant State has decided to make them so, and Commentary 17.16 does the same in relation to the sub-custodian's obligations. Commentary 14.9, which refers back to Commentary 17.4, and Commentary 21.6 express the same view. Drawing those duties together in the description of the primary obligation would have a further advantage. It would make it unnecessary to reproduce a rule equivalent to that of Principle 11(3) of the DAPL, since what that provision achieves separately would already be comprised within the safeguarding obligation itself.			
438.	Principle [17(1)(b) and Commentary 17.9–17.10] ⁶²	Custodian's "right of use" lacks disclosure and consent safeguards. The draft permits a custodian, with client and other-law permission, to use client VCCs for its own benefit including as its own collateral or by on-transferring them for revenue that "might or might not be passed back to the client" (Commentary 15.10) with no minimum standard for	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law)	India

⁶² The submission refers to an earlier iteration of the draft instrument where Principle 17 was referred to as Principle 15 (see <https://www.unidroit.org/wp-content/uploads/2026/06/Study-LXXXVI-W.G.9-Doc.-3-Draft-Principles-and-Commentary.pdf>).

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		how client permission is given, and no duty to disclose whether a client's VCCs are currently deployed elsewhere. This is the carbon-market analogue of securities rehypothecation, introduced without the safeguards securities regulation developed after the Lehman Brothers experience. It is more acute for VCCs, since retirement is what generates a legitimate mitigation/compliance claim (Commentary 8.1); a client unaware its unit has been used or pledged elsewhere may only discover this at the point it tries to retire. The provision also sits in unexplained tension with the immediately preceding safeguarding duties (Principle 15(1)(a); Commentary 15.4–15.6). Recommendation. Require express, specific client consent (not inferable from standard terms) and a periodic/on-request disclosure duty on outstanding right-of-use exposure. Suggested drafting (new Principle 15(1bis)). “Where a client permits a custodian to exercise a right of use under paragraph (1)(b), the custodian must (a) obtain that permission by express and specific consent that is not to be inferred from standard or general terms of business alone; and (b) inform the client, at reasonable intervals and on request, of the extent to which VCCs recorded as maintained for that client are, at the relevant time, subject to a right of use and not immediately available to be moved or retired on the client's instruction.” Key References. <i>Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012</i>		Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>[2015] OJ L337/1, art 15; Manmohan Singh and James Aitken, 'Deleveraging After Lehman: Evidence from Reduced Rehypothection' (2009) IMF Working Paper WP/09/42 <https://www.imf.org/en/publications/wp/issues/2016/12/31/deleveraging-after-lehman-evidence-from-reduced-rehypothection-22785> accessed 7 September 2026; UNIDROIT Convention on Substantive Rules for Intermediated Securities (adopted 9 October 2009, Geneva) art 34.</i>			
439.	Principle 17(2)	Paragraph 2 – it seems better to leave out the optional text (ordinary) (its) (of the same description) to keep it more generic and abstract	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
440.	Principle 17(2); Commentary 17.12–17.15 (Pooling and same description)	Retain the bracketed words “of the same description”, but replace reliance on market practice alone with minimum comparability requirements. For pooled delivery, replacement and insolvency allocation, relevant attributes should include mitigation category, storage duration, methodology and quality status, vintage, authorisation, intended-use eligibility and applicable remediation obligations. Prohibit silent substitution between reductions, avoidance and removals, or between materially different durability classes. A client may explicitly choose a mixed portfolio, but that agreement does not make its components scientifically equivalent. Maintain separate records of each class and	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		deliver only units satisfying the client's specified mandate and applicable use requirements. Do not permit pooled accounts to conceal adverse project findings or allocate all impaired credits to less informed clients. Require a transparent, agreed allocation method with sufficient serial-level traceability to transmit suspension, reversal and overissuance notices.			
441.	Principle 17, Commentary 17.10	Para. 17.10 is a useful addendum for readers and users, we recommend to keep it	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg
442.	Principle 18	Where VCCs are held through custodial chains, the Draft should encourage transparency regarding the identity and responsibilities of sub-custodians. This would reduce operational risks and strengthen accountability.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
443.	Principles 18 and 19(4)–(6) (Innocent clients and shortfalls)	Clarify that innocent-client protection concerns competing proprietary claims, not immunity from environmental correction or use restrictions. Align the conduct standard with Principle 7 and address the absence of a gratuitous-acquisition exclusion in Principle 18 so custody does not create a route around Principle 7(5).	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Support retaining bracketed Principle 19(5), which first meets custody shortfalls from the custodian's own units of the same description, subject to an explicit explanation of its interaction with existing secured rights. Apply the stronger definition of same description proposed for Principle 17. Distinguish a custody shortfall in the number of units from an environmental shortfall in the outcomes represented. Pro rata allocation of remaining credits can distribute a financial loss, but it cannot correct overissuance or reverse the effects of carbon re-release. Both problems require their own remedies.			
444.	Principle 19	This matter is of high relevance for any financial centre and potential VCC custody infrastructure. The draft's approach to client-asset segregation is welcome. Adequately identified client VCCs should not form part of the custodian's insolvency estate. It should be made explicit that this principle also applies where VCCs are held through omnibus registry accounts. In such circumstances, adequate segregation should be capable of being established through the custodian's books and records, without requiring the individual client to be identified at registry level. The Principles should also clarify the treatment of any shortfall in VCCs held for clients, including whether such shortfall should be allocated among affected clients on a pro rata basis. The segregation and ring-fencing of client VCCs should furthermore extend through a chain of custody. In particular, where VCCs are held through a sub-custodian, the insolvency of the sub-custodian should not cause adequately	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj Ministry of Environment, Climate and Biodiversity	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		identified client VCCs to form part of the sub-custodian's insolvency estate. Given the prevalence of intermediated and multi-tier custody arrangements in financial markets, this protection should preferably be reflected in the black-letter Principle.			
445.	[Principle 19(4)-(7) and Commentary 17.12] ⁶³	Undefined fungibility standard undermines custodian-insolvency loss allocation. The pro-rata shortfall-sharing regime for an insolvent custodian's undivided pool (modelled on Geneva Securities Convention Arts. 25–26) depends entirely on which VCCs count as "of the same description" which is a concept the draft defines by market practice, not any fixed legal or technical criterion (Commentary 15.12). VCCs differ materially in underlying risk profile even where commercially interchangeable (reversal risk, buffer-pool participation, co-benefit attribute labels), so a shortfall dispute among an insolvent custodian's clients could turn entirely on contested market practice, with no interpretive priority offered where it is most needed. Principle 17(5) (custodian's own house assets absorb shortfall first) is also left optional and bracketed, so identical cross-border arrangements could see different outcomes purely by choice of enacting State. Recommendation: Require custodians to record, at the time of pooling, the specific criteria defining each pool's boundary; adopt Principle 17(5) as mandatory rather than optional. Suggested drafting (new Commentary 15.12bis): "Because the concept of VCCs 'of the same description' depends on market practice rather than a fixed technical standard, and because that boundary becomes	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	India

⁶³ This submission refers to an earlier iteration of the draft instrument where Principle 19 was referred to as Principle 17 and Principle 17 was referred to as Principle 15.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		critical to loss allocation under Principle 17(4)-(6) upon a custodian's insolvency, a custodian maintaining an undivided pool should record, at the time each VCC is added to the pool, the specific criteria by which it is treated as being of the same description as other VCCs in that pool. In the absence of such a contemporaneous record, other law should provide a default rule for resolving disputes as to the composition of the pool, for example by reference to the narrowest category consistent with the custody agreement and the registry rules."			
446.	Principle 19(5) (Support for the bracketed option)	Principle 19(5) provides, in square brackets, that a shortfall in a commingled holding is to be made good first out of VCCs of the same description held by the custodian for its own account, before any pro rata allocation among clients under Principle 19(6). The Project supports the retention of that provision. Where a custodian has held units both for clients and on its own account and a shortfall emerges, there is no persuasive reason for the custodian's own position to rank equally with those of its clients. The rule also gives the custodian an incentive aligned with the accuracy of its own records. The Project takes the same position in its submission to the European Commission on the review of Regulation (EU) 2023/1114 in relation to assets held by a custodian on behalf of clients. A contrast may be added which, in the Project's view, strengthens the case for retaining the provision. The MiCA Regulation, which governs the custody of crypto-assets in the European Union, contains no rule comparable to Principle 19(5) and (6). Its Article 75(7) requires the crypto-assets	PROMETEO LegalCripto Research Project (CIPROM/2022/26)	University of Alicante and Emerging Project OADCV (CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		held in custody to be legally separated from the provider's estate so that its creditors may assert no right over them, but it says nothing as to how a shortfall is to be borne where the units held for a plurality of clients fall short of those owed. This is the situation of greatest practical likelihood in the insolvency of a provider, and the Project is drawing that gap to the Commission's attention in the parallel consultation. The present draft resolves what the European Instrument leaves open, which is a reason to retain the bracketed text rather than to remove it.			
J. Section VIII: Secured Transactions (Principles 22-24)					
447.	Principles 20-22	Support offering both registry-based registration and control-agreement routes to third-party effectiveness for security interests in VCCs, which is important for structured and trade-finance transactions using VCC portfolios as collateral. Request clarification of priority rules where competing security interests are perfected via different routes.	Government of Saudi Arabia	Ministry of Foreign Affairs	Saudi Arabia
448.	Principles 20-24	The Draft would benefit from recognizing that some jurisdictions may consider climate-related public interests when determining the scope, enforceability, or realization of security interests over VCCs. Proprietary treatment should not prevent States from imposing measures necessary to safeguard environmental integrity.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
449.	Principles 20-24	Recognising VCCs as assets capable of serving as collateral is a significant step towards facilitating commercial financing and enhancing market liquidity. The interaction between these Principles and domestic secured transactions legislation should be clarified to avoid conflicts over perfection and priority rules.	Government of Pakistan	Ministry of Law and Justice	Pakistan
450.	Principles 20-24	1. UNIDROIT's proposal is essentially a confirmation of existing market practices amongst sophisticated participants (i.e. to take control over the asset to prevent disposal) – practices which have evolved in the absence of clarity on the taking of other forms of security / pseudo-security. 2. Our view is that it is cleaner for a registry to transparently disclose security interests. Registries should also be capable of reflecting interests in VCCs such as proprietary interest, security interests or other third party interests such as pledges, which will provide certainty as to interest in the VCCs as well as enable buyers and financial institutions to conduct diligence. One key reason for registries' reluctance to show title and security interests in VCCs is the exposure to disputes. However, from our perspective, registries may be able to limit it appropriately. Such appropriate limitations can include: • not providing guarantee of legal and beneficial title; • providing that disputes as to title and security interest in VCCs should be between the account holder and third party; • not to assume settlement services or to otherwise perform third party agreements; and	GenZero	Ms Sim Ting Head, Corporate Services Group and General Counsel	Singapore

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		appropriate limitation of liability.			
451.	Principles 20-24	General observations Unlike the mechanisms for segregating client assets, which are built around closed categories of eligible assets, the subject matter of a pledge under Russian law is open: any property, including property rights, may be pledged (Article 336 of the Civil Code). Carbon units, which constitute other property for the purposes of Article 128 of the Civil Code, are not excluded from that rule. Principle 20(1) therefore requires no legislative amendment. The forms of security contemplated by Commentary 20.2 are not, however, fully reproduced in Russian law: there is no general concept of a titletransfer security arrangement, and Russian courts tend to apply pledge rules to such arrangements. No specific regulation of security rights in carbon units The general rules in section 3 of Chapter 23 of the Civil Code are designed primarily for tangible things, while section 4 (Articles 358.1-358.8) concerns pledges of claims, which a carbon unit is not. Neither the time at which a pledge over a carbon unit arises, nor how it is recorded, nor its effect on account transactions is specified. Russian law does, however, contain a solution that is an exact functional analogue of Principles 21 and 22: under Article 358.16 of the Civil Code, a pledge over an uncertificated security arises when the pledge is entered in the relevant securities account or personal account, and Bank of Russia regulations on depository record-keeping, including Bank of Russia Regulation No. 799-P, govern the recording of the pledge,	International and Comparative Law Research Center (ICLRC)	Ms Lyudmila Novoselova Science Advisor on Private Law	Russian Federation

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		blocking of transactions, and execution of the pledgee's instructions. The current rules governing the registry operator's powers do not satisfy Principle 22 and would require amendment in three respects. First, the operator must carry out transactions on the instruction of the accountholder (paragraph 58 of the Rules approved by Government Resolution No. 790 dated 30 April 2022); it has no authority to comply with instructions from a third party that is not the accountholder. Positive control under Principle 22(3)(a) is therefore not currently possible. Second, the grounds for refusing to make a registry entry are exhaustively prescribed by legislation and do not include an agreement with a third party, so negative control under Principle 22(3)(b) is also impossible. Third, the relationship between the operator and the accountholder is governed by the standard-form agreement approved by Resolution No. 905 of the Government of the Russian Federation dated 20 May 2022, which does not accommodate the tripartite structure of a control agreement. Amendments would therefore be required to Article 10 of Federal Law No. 296-FZ of 2 July 2021, Rules No. 790, and the standard-form agreement. We note that a first step has already been taken: since April 2024, the registry has recorded information on existing encumbrances over carbon units (subparagraph (d) of paragraph 16 of Rules No. 790). The legal effect of that entry is not, however, defined: the law does not provide that the pledge arises when the entry is made, specify how the entry is made or discharged, or determine its consequences for execution of instructions from the accountholder.			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		In our view, the appropriate model is the recording of encumbrances over uncertificated securities under Article 358.16 of the Civil Code and Bank of Russia regulations on depository record-keeping. It requires no special account, operates within the owner's existing account, and already provides a complete mechanism for recording the encumbrance, blocking transactions, and carrying out the pledgee's instructions. Principle 23 is unlikely to be necessary in the Russian framework Priority between pledges under Russian law is determined by the time at which they arise and, for pledges subject to recordation, by the time of recordation (Article 342.1 of the Civil Code); Russian law has no super-priority rule displacing the temporal criterion. If, however, the model in Article 358.16 is adopted and a security right in a carbon unit arises only when entered in the registry, registry entry would become the sole method of achieving third-party effectiveness. No conflict between registered and unregistered security would then arise, and there would be no need for a rule corresponding to Principle 23. We consider this solution preferable because it achieves the objective of Principle 23 without departing from the general principles of Russian security law. Principles 24(2)-(3) are compatible with Russian law The requirement for a court order where the intermediary does not consent is, in substance, designed to protect a person that is not a party to the security agreement. Russian law achieves the same result differently: the registry			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		operator is simply neither required nor entitled to act on the instruction of a person that is not the accountholder. Extra-judicial enforcement remains available by agreement between the parties (Article 349 of the Civil Code), which is not inconsistent with the Principles because Principle 24(2) makes the court-order requirement conditional on the absence of consent from the custodian or registry operator. Relationship with retirement of an encumbered unit As noted in our comments on Principles 8 and 12, Article 346 of the Civil Code mandatorily prohibits a pledgor from disposing of pledged property without the pledgee's consent, whereas the draft relies on contractual arrangements. Introducing a legally effective system for recording encumbrances over carbon units in Russian law would solve both problems at once: a registry operator that has notice of the encumbrance would be required to refuse an instruction to retire or transfer the unit without the secured creditor's consent. This confirms the merits of the proposal made above in this comment. Proposed amendments First, explain in the Commentary to Principle 21 the consequences for the grantor of achieving third-party effectiveness under Principle 21(a): the registry record identifies the secured creditor as the holder without indicating the security nature of the transfer, and the draft does not determine the grantor's position if the secured creditor becomes insolvent. Second, provide that priority between security rights made effective against third parties under Principle 22 with the			

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		same custodian or registry operator is determined by the order recorded by that intermediary, and require the intermediary, on request and with the grantor's consent, to disclose the existence of earlier control agreements. Otherwise, a non-public method of achieving third-party effectiveness is combined with super-priority and a temporal criterion that a second secured creditor cannot verify. Third, state in Commentary 22.4 or 23.5 that negative control depends on the intermediary's performance of its contractual obligations, and that the consequences of breach, including the intermediary's liability, are determined by other law. Fourth, add the words 'for the grantor' to Principle 24(2), bringing the operative provision into line with Commentary 24.6. Fifth, recommend that States provide that a registry which records an encumbrance must not comply with instructions to retire or voluntarily cancel an encumbered VCC without the secured creditor's consent. In legal systems that impose mandatory restrictions on dispositions of collateral, this is the only way to make the draft compatible with national law.			
452.	Principles 20-24	We agree that the recognition of secured transactions is a key issue/bottleneck in attracting larger institutional financial interest in carbon markets and greater financial liquidity during the early stages of project finance. Greater harmonization across jurisdictions implementing these principles will reduce uncertainty in relation to (i) the recognition of security rights by CBs and registries, (ii) clarity	South Pole	Mary Gilmore-Maurer Global Legal Director (Carbon Projects and Public Affairs)	United Kingdom

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		as to when a security right is perfected, and (iii) enforceability of security interests in VCCs. From a practical perspective it does require (under Principle 21(a)) that a secured creditor may need to become the registered holder of a VCC, which in the main registries means opening an account with the relevant registry. This may not always be (and is not currently) the case. Alternatively, the registered holder becomes the custodian for the secured creditor. Principle 22 ensures that there is transparency in relation to a control agreement being the means of ensuring third-party effectiveness in relation to a security interest which we welcome. Crucially, Principle 22 would allow registries to rely on the control agreement to take instructions from a secured creditor, which again makes it a less subjective and more consistent decision for the registry to make. This is a key factor in the reluctance of the main registries to currently recognize security interests in VCCs. In addition, We welcome the clarity provided by principle 23 relation to the order of security rights in VCCs. It clarifies that VCCs credited to the secured creditors account or subject to a control agreement take priority over any other security arrangements. Principle 24 is helpful in that it provides additional clarity and comfort to secured creditors in terms of enforcement of a security interest.			
453.	Principles 20–25 (Security rights, enforcement, insolvency and	The possibility of using VCCs as collateral, enforcing security rights over them or treating them as assets in insolvency proceedings should remain subject to the eligibility, transfer and use restrictions applicable to the relevant unit. Enforcement of a security right should not enable a secured creditor to circumvent host-country authorization	Government of Colombia	Adriana Gutiérrez Bayona Mitigation group - Climate Change and	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	regulatory attributes)	requirements, regulatory restrictions or Article 6 rules. Similarly, acquisition of a proprietary interest through enforcement or insolvency should not imply that all regulatory attributes associated with the unit are automatically transferred. For example, acquisition of the proprietary right should not, by itself, confer a sovereign authorization, modify the authorized use of a mitigation outcome, create a new first transfer or entitle the creditor to require a corresponding adjustment. The Study should therefore distinguish clearly between the transferability of the proprietary interest and the continued applicability of regulatory and international accounting requirements.		Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	
454.	Principle 20 (enabling legislation for security rights over a new class of intangible collateral)	Principle 20 confirms that a VCC may be the object of a security right, and Principles 21-23 build a regime of third-party effectiveness and priority on that premise. In a number of civil-law jurisdictions, however, the type of security right ordinarily available over movable property (e.g. pledge/prenda) is structurally tied to dispossession, and extending it to a non-possessory intangible collateral class has historically required a dedicated enabling statute rather than mere doctrinal or judicial recognition. Venezuela's <i>Ley de Hipoteca Mobiliaria y Prenda sin Desplazamiento de Posesión</i> (1973) restricts non-possessory pledge to an exhaustive, specifically enumerated list of eligible asset categories, and comparable enabling legislation has been necessary elsewhere in the region as movable-collateral registries developed. We suggest that the Commentary to Principle 20 acknowledge this legislative-reform need, distinct than the question whether a VCC can be the object of ownership	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		generally and recommend that implementing States identify VCCs by name in whatever enabling instrument extends non-possessory security rights to new categories of intangible collateral, rather than relying on courts to extend an existing type of security right to VCCs by interpretation alone.			
455.	Principle 20	General concerns We have some concerns surrounding security rights attached to VCCs. Principle 20 indicates that VCCs can be used as collateral in secured transactions. However, for something to serve as collateral, it would imply that it should have a reasonably stable and verifiable value. However, there are many quality and integrity concerns that can affect the value of a credit, with for instance a peer-reviewed meta study recently finding that out of 972 million carbon credits, less than 16% constituted real emission reductions. A VCC's value can plummet if it is found to be of low quality, or even if the wider market takes a hit irrespective of the quality of the actual VCC. For instance, following a series of scandals and well-documented quality problems in the voluntary carbon market in the early 2020s, the market value collapsed amid dramatic fluctuations in prices and transactions. There appear to be considerable risks involving the use of VCCs as collateral, including if such collateral effectively allows VCCs to remain in circulation as a financial instrument, potentially for speculative purposes, over long periods of time. Arguably, this could also incentivise overissuance of credits purely for their collateral and financial value.	Carbon Market Watch	Lindsay Otis Nilles, Policy Expert	Belgium

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
456.	Principle 20 (VCCs as collateral)	UNIDROIT Principle 20 expressly allows a VCC to be the subject of a security right, thereby recognising its capacity to serve as collateral. This could potentially facilitate the use of eligible VCCs in Shariah-compliant financing structures, subject to the applicable requirements governing rahn (pledge/security). However, from an Islamic finance perspective, the use of VCCs as collateral raises an important additional issue concerning the enforcement of the security. If enforcement results in the transfer of ownership or control of the VCC to the secured creditor, such as a financial institution, the creditor may become the holder of the VCC without having a genuine intention to use it for greenhouse-gas emission reduction purposes. This could conflict with the Islamic Finance requirement that carbon credit certificates be traded only among parties who genuinely utilise them for reducing greenhouse-gas emissions, and that they not be traded merely for investment purposes. Accordingly, the permissibility of using VCCs as collateral should not be assessed solely on the basis of the validity of the security right. The structure should also provide a Shariah-compliant mechanism for dealing with the VCC upon enforcement. For example, the documentation could provide for its transfer to an eligible party that genuinely intends to utilise the VCC for the permitted purpose, rather than allowing the secured creditor to retain it merely as an investment asset.	Islamic Development Bank (IsDB) <i>This review is offered as a knowledge contribution and does not necessarily represent the official views of the IsDB Institute or the IsDB</i>	Dr Sami Al Suwailem, Acting Director General, IsDB Institute	International

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		Shariah assessment: Potentially compatible, but subject to specific safeguards concerning enforcement, ownership and subsequent use of the VCC.			
457.	Principles [20-21] ⁶⁴	Principles 18 and 19 suggest that registries may also function as registers for security interests and that the applicable law should recognise the registration of such interests for purposes of third-party enforceability. However, the effectiveness of such conceptual recognition remains inherently dependent on domestic legal systems. Multiple private registries, each governed by their own rules, may preclude the establishment of universally recognised mechanisms of publicity and therefore do not, in themselves, ensure <i>erga omnes</i> opposability. Consequently, claims to priority remain relative, lacking the universal enforceability generally associated with classical <i>in rem</i> property rights. This issue is also reflected in existing registry practice. For example, the Verra Registry expressly provides that it does not guarantee legal title to the Instruments and that it has no obligation to verify or enquire into the validity of, or legal title to, the Instruments or Related Instruments. This illustrates a potential gap between the functions that Principles 18 and 19 contemplate for registries and <u>the functions that private registries currently assume in practice.</u>	Milena Colombo	MSc candidate, Trinity College Dublin	Brazil
458.	Principles 20 and 21	Support recognition of security rights while stating that collateralisation does not improve the unit's environmental quality or permissible uses. The secured creditor takes the	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

⁶⁴ This submission refers to an earlier iteration of the Principles where Principles 20 and 21 were referred to as Principles 18 and 19.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
	(Collateral and integrity)	asset subject to valid integrity restrictions and correction measures, including measures adopted after perfection. Innocent acquisition of title should not extinguish those restrictions. Require collateral descriptions to preserve the relevant credit attributes and allow reliable identification of affected serials or homogeneous pools. Distinguish a security right in an existing VCC from security over future delivery contracts, receivables or future credits; the latter should not be represented as already verified mitigation. Explain in the commentary that valuation should reflect reversal, overissuance, authorisation and remediation risk. Recognition as collateral must not be presented as a legislative endorsement of its environmental quality or investment value.			
459.	Principle 22 (Control agreement as a method of achieving third-party effectiveness)	Understanding that Principle 22 seeks to establish a functional mechanism for achieving third-party effectiveness in secured transactions involving VCCs, we respectfully suggest that the Commentary clarify the legal scope of the control agreement and the conditions under which it may become effective against third parties. In particular, this clarification is relevant to the question of third-party effectiveness and should clearly distinguish between the binding effects of the control agreement among the parties to it and its effectiveness against third parties. In this case, there should be a sufficient legal basis under the applicable law and, where required, compliance with the relevant requirements of publicity, registration, control or perfection established by that law. Accordingly, the mere conclusion of a control agreement should not, in itself, be understood as	American Association of Private International Law (ASADIP)		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		sufficient to produce <i>erga omnes</i> effects where such effects are not recognised by domestic law. In jurisdictions that do not yet have specific legislation ruling the proprietary status of VCCs or security rights created over them, including e.g. Argentina, Principle 22 could operate as a soft-law, providing interpretative guidance and a reference for future legislative development.			
460.	Principle 22; Principles 15 and 17 (Control agreements)	Add an express limitation that a control agreement cannot prevent a CB, registry or competent authority from implementing a valid integrity suspension or mandatory correction. Secured-creditor consent should regulate private dealings; it should not veto cancellation of an unsupported quantity. Require the agreement to allocate responsibilities for notices, remediation and substitution of collateral following an integrity event. If replacement is permitted, specify the acceptable mitigation category, durability and accounting attributes rather than simply an equal number of tonnes. Notify the secured creditor promptly without giving it a right to delay environmental action indefinitely. Clarify the treatment of retirement where a credit is collateral, including any advance consent and the consequences for the security right. Correct the subparagraph numbering in Principle 22(3), currently (c) and (d), to align with the (a) and (b) references used in the commentary.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
461.	Principle 22	Principle 22 makes a security right effective against third parties upon the conclusion of a control agreement, defined as a tripartite agreement under which the custodian or	PROMETEO LegalCripto Research	University of Alicante and Emerging Project OADCV	Spain

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		registry operator undertakes to comply with the instructions of the secured creditor without further consent of the grantor, and not to comply with the instructions of the grantor without the consent of the secured creditor. The mechanism is familiar and well designed. The term employed, however, carries a different meaning in the Instrument on which these Principles are built. In Principle 6 of the DAPL, control denotes a factual position, namely the exclusive ability to exclude others from the benefit of the asset, to obtain that benefit and to transfer those abilities. In Principle 22 of the present draft, a control agreement denotes a contractual arrangement producing third-party effectiveness. The distinction matters for the reason given in the Commentary on Principle 6 published by this Project, which emphasises that control is deliberately expressed as a factual standard and cautions against terms carrying a more legal connotation, precisely so that the notion remains neutral as between legal systems and technical designs. The two senses are related but not identical, and a reader moving between the Instruments may take the second for the first. We suggest that the Commentary to Principle 22 note the distinction expressly, particularly since Commentary 3.2 of the present draft already uses 'control' in the factual sense when explaining why a VCC can be the subject of proprietary rights.	Project (CIPROM/2022/26)	(CIGE/2026/241), Polytechnical University of Valencia University of Alicante and Polytechnical University of Valencia	
462.	Principle 23 (Priority of security rights in VCCs)	Understanding that Principle 23 seeks to provide certainty regarding the use of VCCs as collateral and the determination of priority among competing security rights,	American Association of Private		Americas

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		we respectfully suggest that greater clarity be provided as to the legal basis for such priority and its coordination with the applicable rules on secured transactions, registries and insolvency, particularly because priority produces effects against third parties.	International Law (ASADIP)		
463.	Principles 23 and 24 (Priority and enforcement)	Qualify the priority rule so it does not imply priority over public-law suspension, cancellation or restrictions on climate use. The priority contest between secured creditors is distinct from the validity and environmental status of the collateral. Reconsider Commentary 23.3's suggestion that control removes the need for further due diligence: even where prior-lien searches are unnecessary under a selected priority rule, credit quality, authority and applicable restrictions remain relevant. Provide accessible notice of material restrictions and control arrangements where appropriate. An enforcement sale must carry forward deficiency flags, provenance and remediation conditions. Enforcement should not revive retired or cancelled units, erase beneficiary records, or circumvent buffer restrictions. Require commercially accurate descriptions when distressed or impaired credits are sold; any surviving compensation rights should be distinguished from a right to use an environmental benefit.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany
464.	Principle [23] ⁶⁵	Super-priority rule creates transitional conflict with pre-existing blanket security interests. Principle 21 grants secured creditors who perfect via registry-crediting	Symbiosis Law School, Symbiosis International	Dr. Shashikala Gurpur (Professor and	India

⁶⁵

This submission refers to an earlier iteration of the draft instrument which referred to current Principle 23 as Principle 21.

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		(Principle 19) or a control agreement (Principle 20) non-temporal super-priority over creditors who perfected earlier by other methods (e.g. general notice-filing) as an acknowledged departure from first-in-time priority (Commentary 21.1). This is not addressed against the common scenario of a borrower already subject to a general “all present and after-acquired property” security interest perfected before VCCs existed as a distinct asset class in its hands. If that borrower later acquires VCCs, the pre-existing general secured creditor could be unexpectedly subordinated to a later VCC-specific secured creditor which is a result it had no chance to price when it originally perfected, and a scenario the Transition rules at Introduction paragraph 69 do not cover, since those address only conflicts between different VCC-specific perfection methods. Unlike PMSI-style super-priority in many secured transactions regimes (e.g. UCC Article 9-324), which is confined to the specific collateral financed and typically requires notice to filed creditors, Principle 21 has neither limitation. Recommendation. Add a transitional rule preserving pre-existing general secured creditors' priority over VCCs already within their collateral description at the time the enacting State adopts Principles 19–21, absent consent to subordination. Suggested drafting (new Principle 21(2)). “Where a security right in the debtor's present and after-acquired property, including VCCs, has been made effective against third parties under other law before the entry into force, in the enacting State, of Principles 19 and 20, that pre-existing security right retains its priority as against a security right		Director; Dean, Faculty of Law) Dr. Vivek Nemane, Prof. Ajay Tambulkar (Faculty) Dhikshitha N, Anubha Mathur (Students)	

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		subsequently made effective against third parties under Principle 19 or 20 in relation to VCCs falling within the collateral description of the pre-existing security right, unless the pre-existing secured creditor has consented to subordination.”			
465.	Principle 24	Enforcement against VCCs may have implications beyond private creditors where the underlying mitigation activity remains subject to ongoing environmental, social, monitoring, or benefit-sharing obligations. The commentary should clarify that enforcement does not extinguish such obligations.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
466.	Principle 24	The Principles could acknowledge risks associated with excessive financialization of environmental assets where speculative activity becomes detached from underlying climate outcomes. Additional commentary on prudent market governance may be beneficial.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
467.	Principle 24	The commentary is important, and we would suggest including key concepts in the black letter text. Specifically on the matter on the suitability of VCCs as collateral, i.e., along the lines: <i>Other law should not preclude a secured creditor from disposing of or accepting a VCC in full or partial</i>	Government of Luxembourg	Mr Alexander Feldmann and Ms Claudia Hitaj	Luxembourg

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		<i>satisfaction of the secured obligation solely because the collateral is a VCC.</i>		Ministry of Environment, Climate and Biodiversity	
468.	Principle 24 (Enforcement of security rights in VCCs)	Understanding that Principle 24 provides, as a general rule, that the enforcement of a security right in a VCC is subject to applicable law, while establishing specific conditions where the VCC is maintained by a custodian or by the grantor as registered holder, we respectfully suggest that the commentary clarify the scope of that reference and its interaction with mandatory procedural rules, due process requirements, insolvency law and public policy limitations, which may vary among legal systems. Such clarification is particularly relevant in jurisdictions that do not have a specific legal regime governing the enforcement of security rights in VCCs.	American Association of Private International Law (ASADIP)		Americas
K. Section IX: Insolvency (Principle 25)					
469.	Principle 25	The Draft should clarify that insolvency proceedings do not extinguish environmental, social, monitoring, reporting, permanence-management, or benefit-sharing obligations associated with the underlying mitigation activity where such obligations survive under applicable law.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
470.	Principle 25	Consideration should be given to the treatment of amounts contractually reserved for community benefit-sharing arrangements. The Draft could clarify that national law may accord special treatment to such obligations in insolvency where required by public policy.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
471.	Principle 25	Where insolvency affects a project developer or project proponent, continuity of MRV, safeguarding, reversal management, and environmental stewardship obligations remains critical. The commentary could acknowledge the need for mechanisms that preserve long-term environmental integrity notwithstanding insolvency events.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
472.	Principle 25	The Draft could recognize that insolvency resolution involving nature-based mitigation projects may require particular attention to local communities, Indigenous Peoples, long-term land management commitments, and protection of environmental assets of strategic national importance.	Government of Colombia	Ángela Rodríguez Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
473.	Principle 25 (Insolvency and the application of regulatory obligations and restrictions)	It is suggested to clarify that the recognition and treatment of proprietary rights in a VCC in insolvency proceedings operate without prejudice to regulatory obligations and restrictions applicable under domestic law. Where the debtor is subject to environmental, social, monitoring, reporting, safeguard or other obligations relating to the mitigation activity, neither the insolvency proceedings nor the proprietary treatment of the VCC should, in themselves, be understood as extinguishing or modifying those obligations. Likewise, the inclusion of a VCC in the insolvency estate should not exclude restrictions imposed by applicable law on its transfer, use or disposition.	Government of Colombia	Leydi Azucena Monroy Mitigation group - Climate Change and Risk Management Directorate (DCCGR) Ministry of Environment and Sustainable Development	Colombia
474.	Principle 25	The insolvency provisions appropriately preserve proprietary rights that are effective against third parties, thereby reinforcing legal certainty in insolvency proceedings. Additional guidance on cross-border insolvency recognition and treatment of registry-held VCCs would improve practical implementation in international markets.	Government of Pakistan	Ministry of Law and Justice	Pakistan
475.	Principle 25; Principles 15(3)–(5) and 19 (Buffers and continuing remediation)	Address the insolvency of the project developer and Crediting Body as well as the holder, registry and custodian. Continuing monitoring, reversal remediation and access to historical records must have a funded and legally identified successor or backstop. Personal claims against an insolvent developer may offer little environmental protection. Recommend legally effective segregation of buffer assets and dedicated remediation funds, restrictions on their pledge or use for general creditors, and transparent governance for their application. Do not assume existing Principles 15 and 19 automatically protect a reserve: a Crediting Body or	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany

No.	Topic / Principle / Paragraph	Comment	Respondent Name	Respondent Title / Organisation	Respondent Country
		registry may own reserve units in its own account, bringing them within the exceptions for proprietary holdings. Require an orderly continuity plan covering retired-credit records and outstanding replacement obligations. Explain that establishing insolvency remoteness or a special priority for remediation assets may require complementary legislation; these are proposed implementation measures, not consequences already supplied by Principle 25.			
476.	Principle 25(1)–(2) (Integrity during insolvency)	State that insolvency does not improve a unit's environmental status or insulate it from valid cancellation, suspension or record correction. Recognition of a third-party-effective proprietary right determines entitlement to an existing asset; it does not guarantee that the asset remains valid mitigation. Clarify how applicable insolvency stays interact with status updates and environmental correction. Updating the registry to reflect a demonstrated deficiency should not be confused with enforcing an ordinary monetary claim against the estate. Monetary replacement liabilities and their ranking may remain subject to insolvency law, but climate-use restrictions must remain visible and effective. Revise Commentary 25.4's sustainability-linked bond example: retirement can support a contractual target only where the bond terms and applicable rules permit that use and the units meet the relevant integrity requirements. Retirement alone does not establish achievement of a GHG target.	Injy Johnstone	Max Planck Institute for Innovation and Competition	Germany