



Enhancing Disclosure and Credit Quality in Carbon Markets: The Role of Financial Regulators

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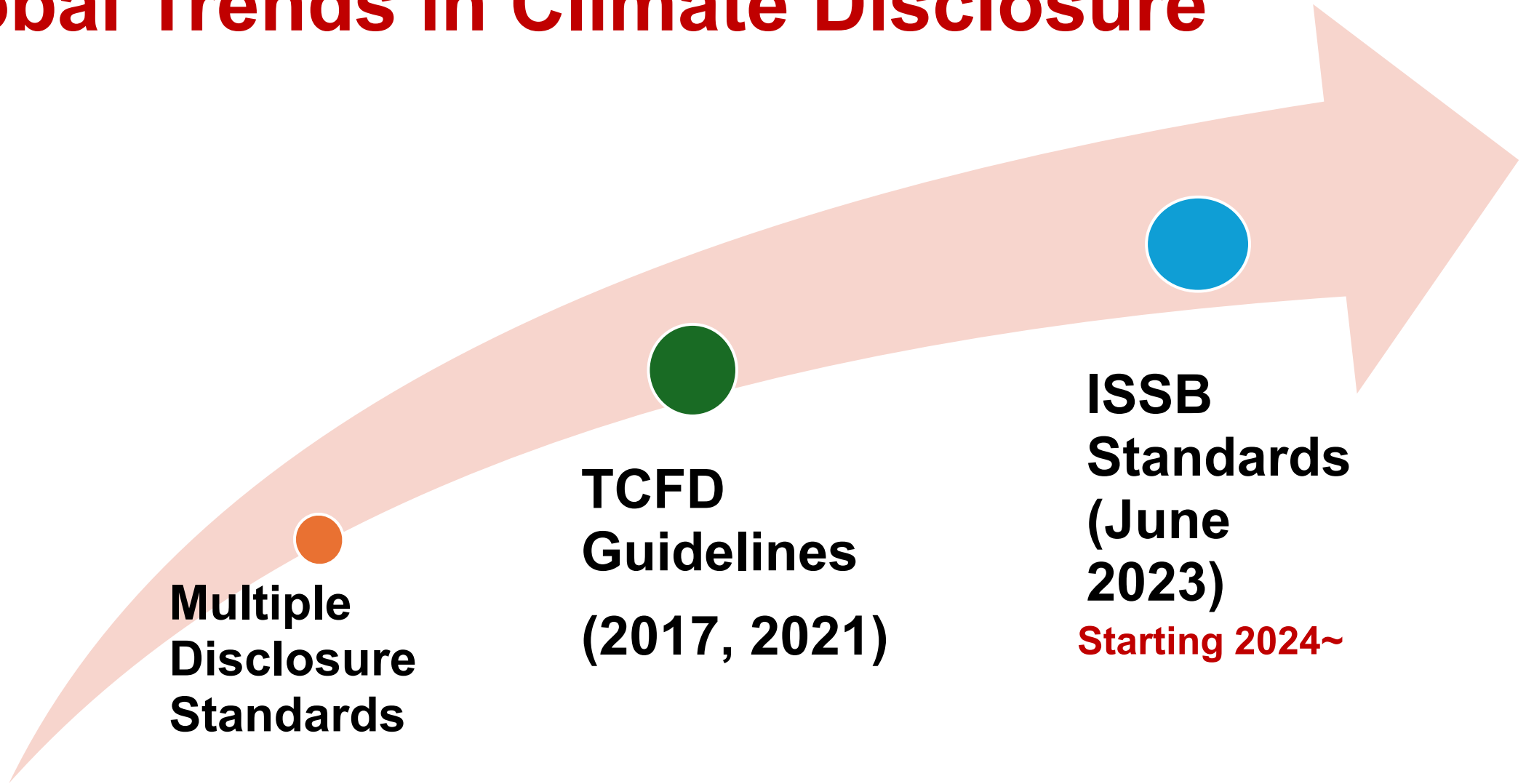
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1. Information Disclosure: GHG Emission Reductions and Carbon Credits

Importance of Information Disclosure

- Integrate **climate risks and opportunities** into corporate risk management, actionable planning and decision-making
 - Growing importance placed by **large** companies on emissions data from both **suppliers' and clients**.
- Enhanced **investor** understanding of the financial implications of climate change.
 - Effective **market allocation** of investment toward sustainable solutions, opportunities and business models

Global Trends in Climate Disclosure



TCFD: Task Force on Climate-related Financial Disclosures
ISSB: International Sustainability Standards Board

Climate-Related Disclosure

TCFD Guidelines

International Sustainability Standards
Board (ISSB)

IFRS S2 (Climate)

Asia: Australia; Bangladesh; Hong Kong, China; India; Japan, Malaysia; Pakistan; People's Republic of China; Republic of Korea; Singapore; Sri Lanka; the Philippines; Taipei, China; Thailand, etc.

Metrics & Targets

- Greenhouse gas (GHG) **emissions reduction targets.**
- GHG emissions data

Transition plan

- Strategies to achieve emissions reduction and other targets (engagement, Capex, Opex, etc.)

Climate Scenario Analysis

- Long- and short-term analysis of business model resilience

Disclosure of Emissions Targets (IFRS S2)

Emissions Targets

- Clarify between a **gross** or **net** target
- If a **net** emissions target is chosen, separately disclose its **gross** target

Carbon Credits

- Planned use of **carbon credits** to achieve **net** target
- Whether carbon credits are **verified** by third party

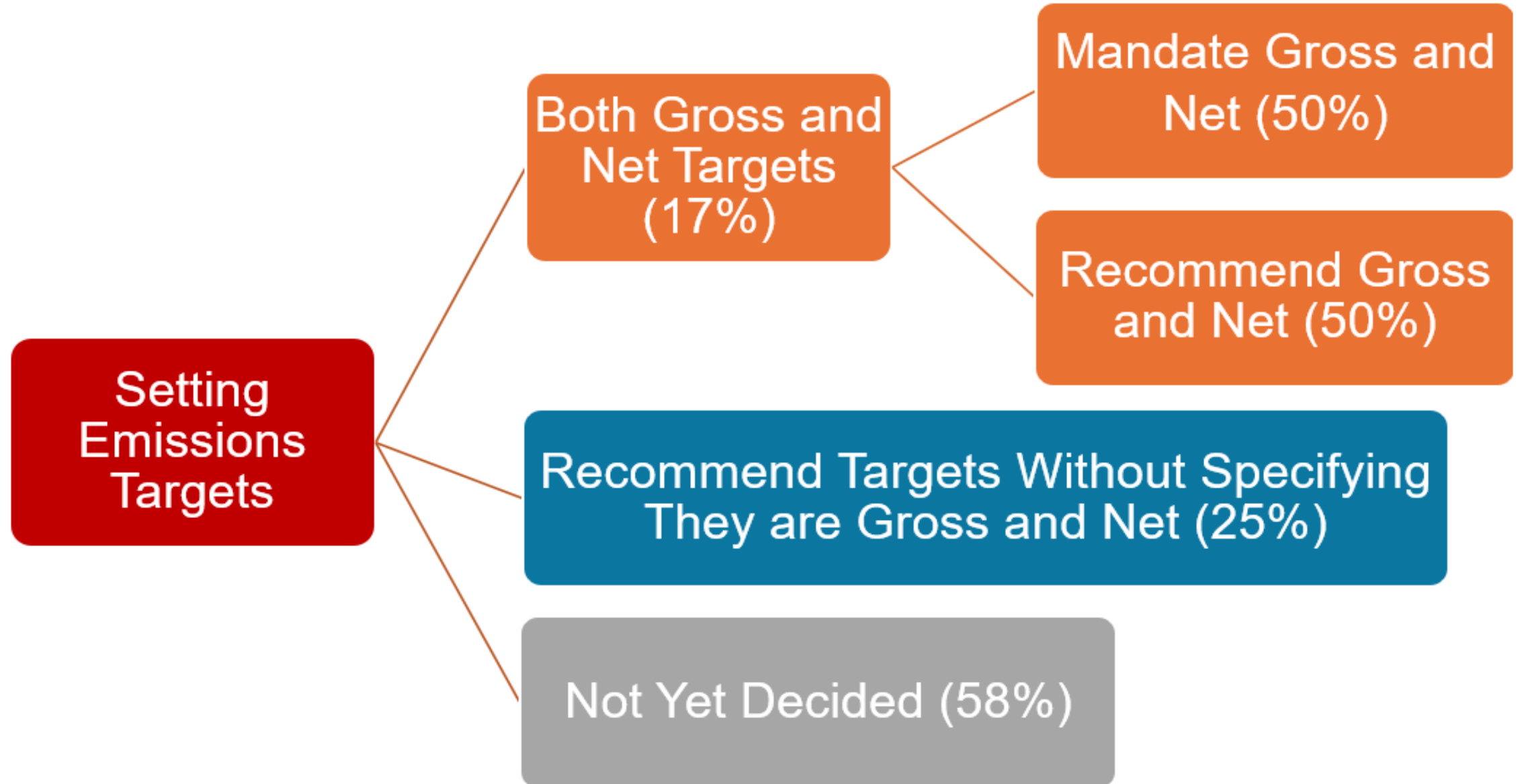
Types of Credits

- Nature-based or technology-based
- Based on removals or reductions [avoidance], etc.

Corporate Net Zero Emission Targets



Question: Setting Gross and Net Emissions Targets



2. Improving the Integrity of Voluntary Carbon Markets in Asia

Four Types of Carbon Projects

Type 2
Technology &
Removal
(e.g., DAC)

Type 1
Technology &
Avoidance
(e.g., Renewable
Energy)

Type 4
Nature & Removal
(e.g., Reforestation)

Type 3
Nature & Avoidance
(e.g., Sustainable
farming, land use)

Risks Related to Mitigation Projects

Quality (e.g.,
Additionality)

No double
counting &
retiring

Leakage and
reversibility risk

Monitoring

Credible
verification

Impact on other
issues (e.g.,
community, land,
water usage)

Measures to Mitigate Carbon Credit Risks

Measures

ICVCM Core Carbon Principles (Issuers)

High-Integrity Label

VCMI Claims (Users)

Digital Platform

Carbon Credit Rating & Insurance

ICVCM 10 Core Carbon Principles (Issuers)

Governance

Effective
governance

Tracking

Transparency

Third-party
verification

Emissions Impact

Additionality

Permanence

Robust
quantification

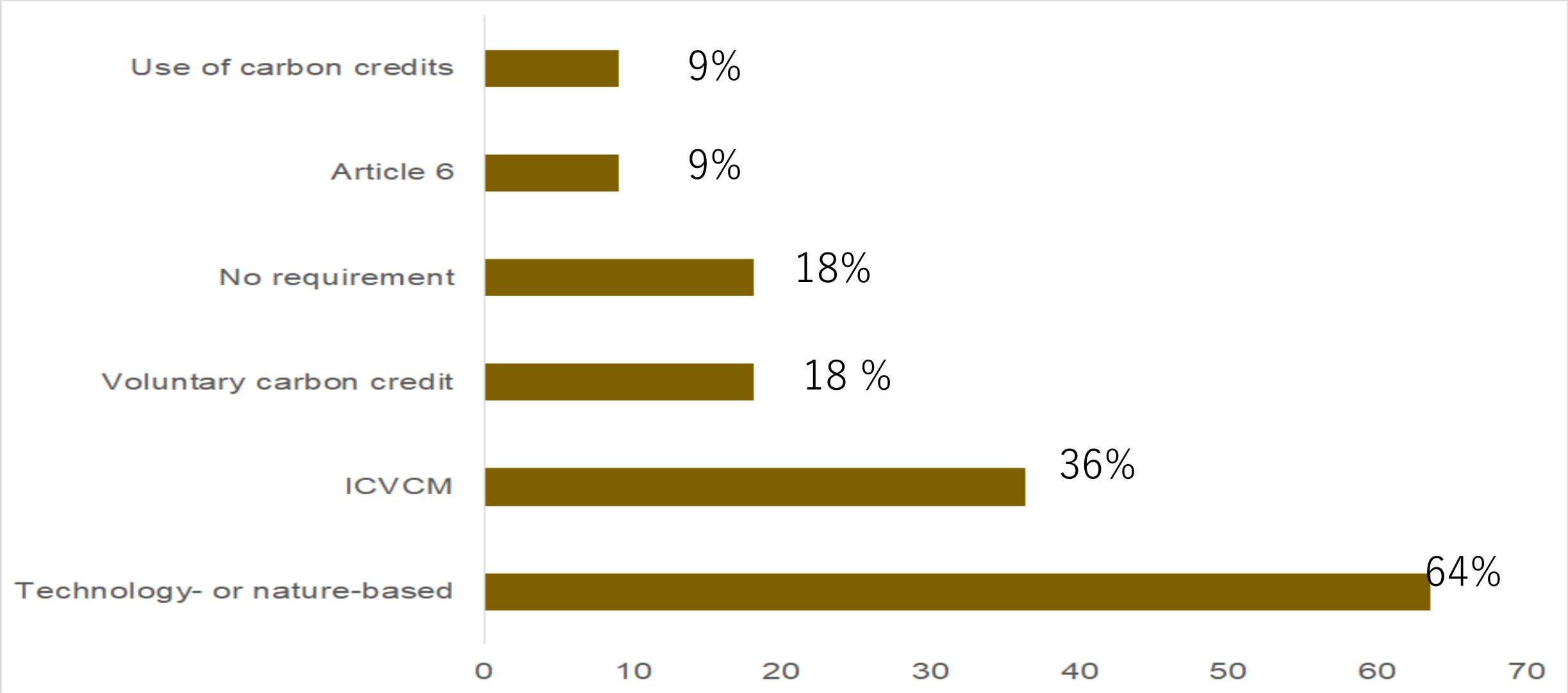
No double
accounting

Sustainable Impact

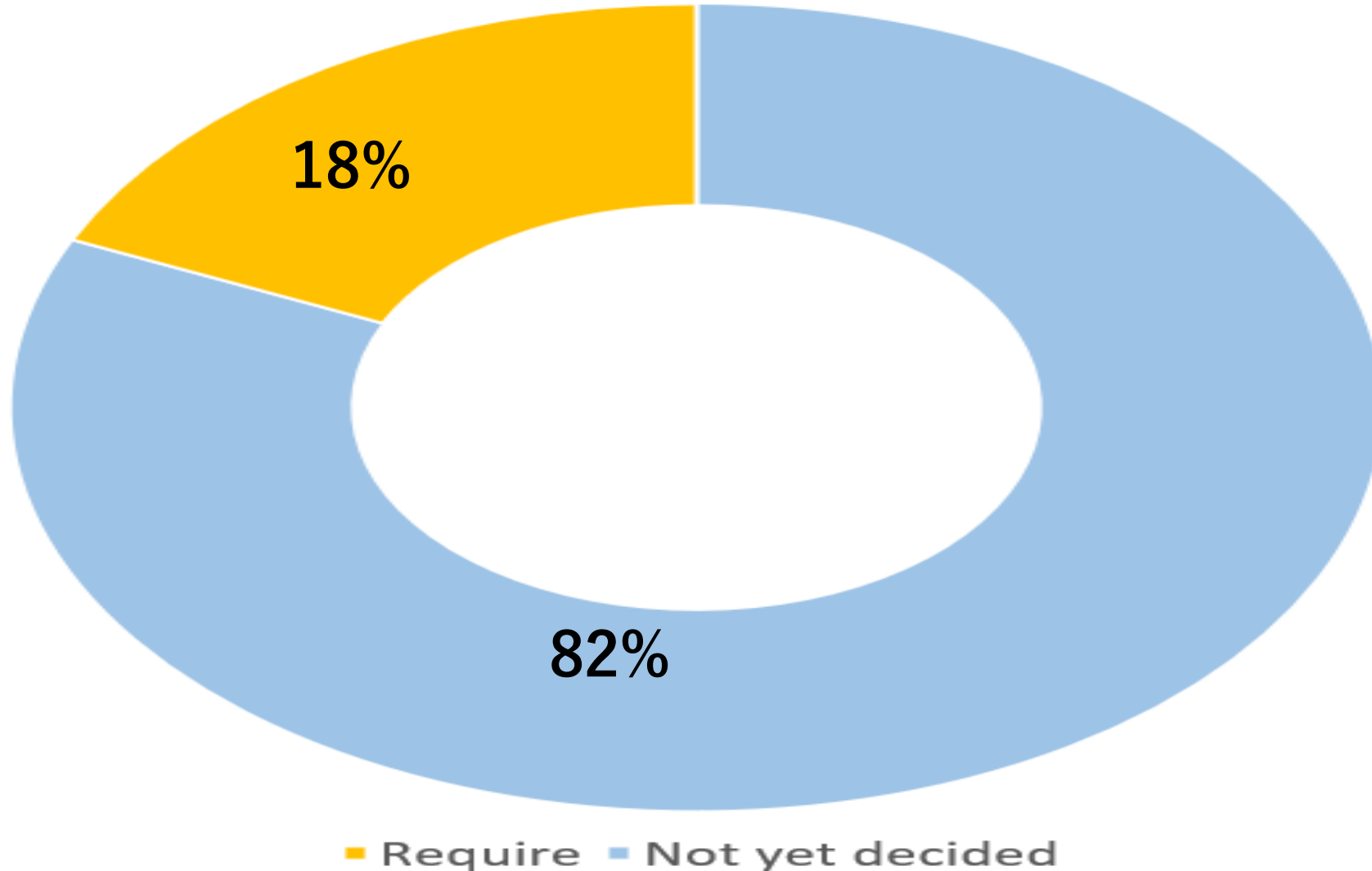
Sustainable
development
benefits

Contribution
to net zero
transition

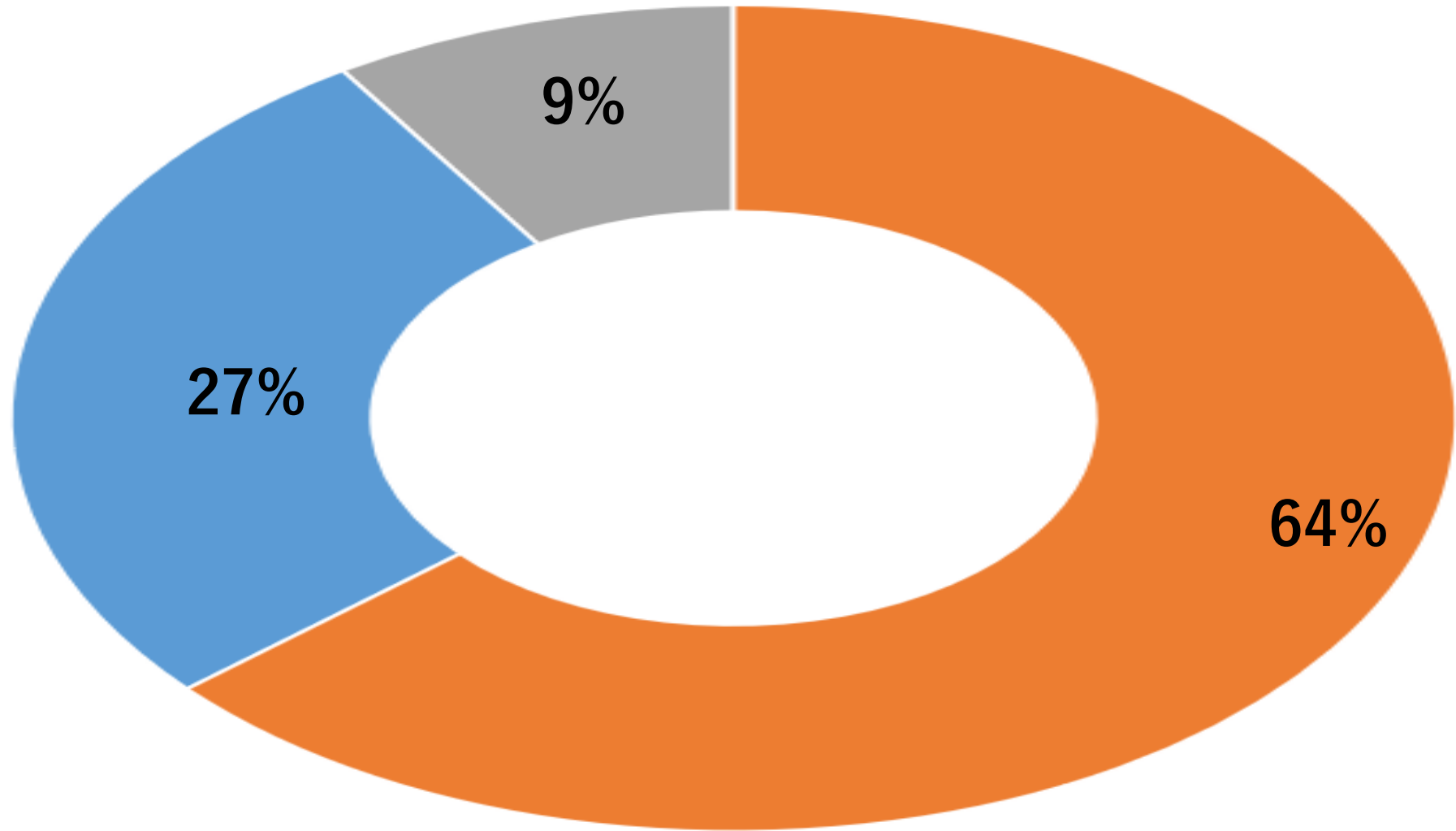
Q1: Disclosure of Some Features of Carbon Credits in Relation to “Net” Targets (Multiple Options)



Q2 Requiring or Plan to Require Core Carbon Principles Developed by ICVCM

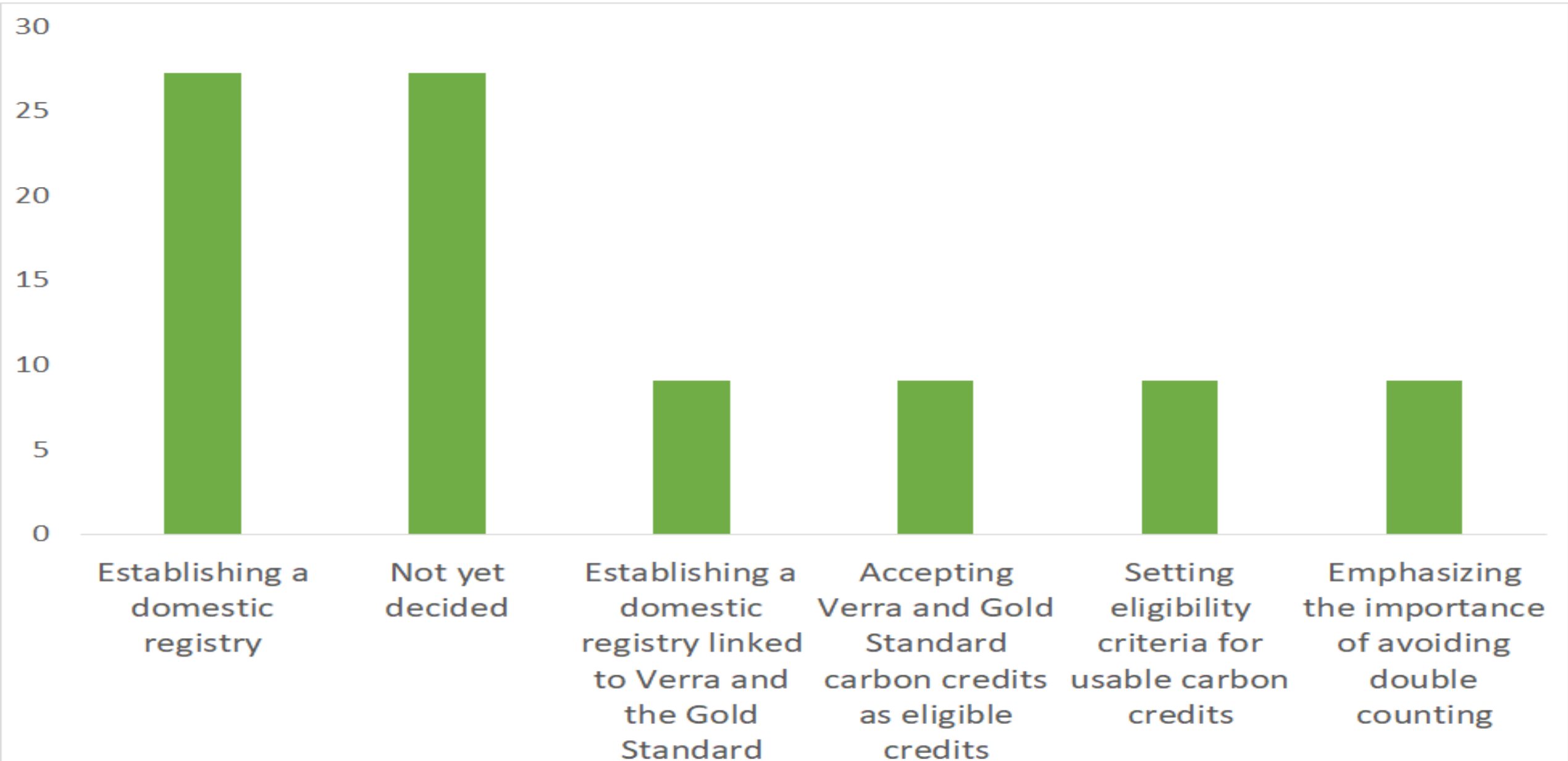


Q3 E-Access to Information on VCM

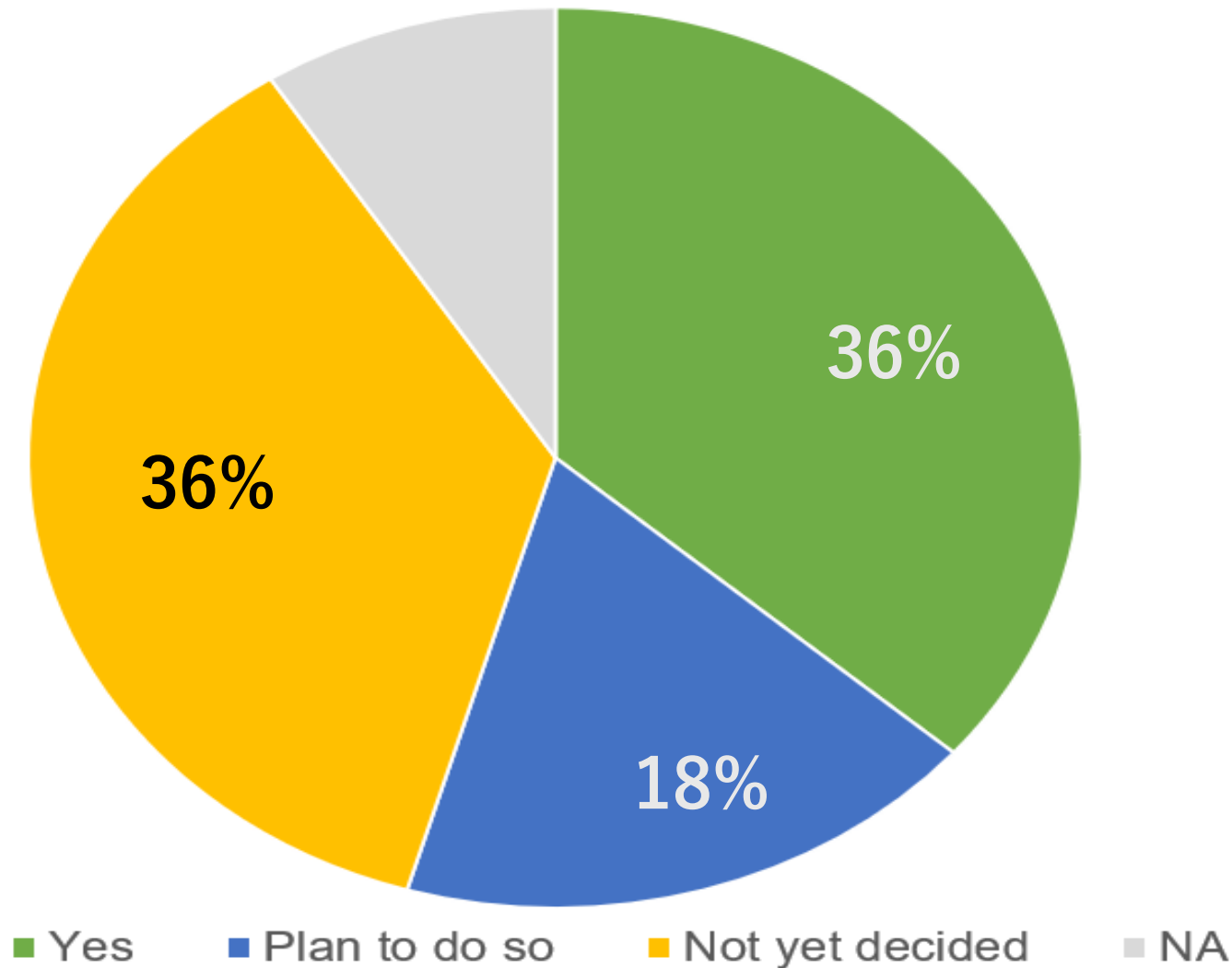


■ Yes ■ Not yet decided ■ Plan to do so

Q4: Measures to Improve the Quality (%)



Q5 Adopting the Globally-Recognized Definition of “Additionality”



※ Projects would not have occurred in the absence of the incentive created by carbon credit revenues

Government Initiatives in Asia: Malaysia

- Bursa Malaysia operates the Bursa Carbon Exchange (BCX) since 2022.
- The platform exclusively trades credits from internationally recognized standards such as **Verra** and **Gold Standard**.
- In 2024, Securities Commission Malaysia and Bank Negara Malaysia developed a National Carbon Market Framework to enhance price transparency and credit traceability.
- Market mechanisms and due diligence practices are increasingly aligned with **ICVCM guidance**.
- A National Carbon Registry is under development to support tracking, reporting, and issuance of both voluntary and future compliance credits.

Government Initiatives in Asia: Indonesia

- The Indonesia Carbon Exchange (IDXCarbon) is operated by the Indonesia Stock Exchange since 2023.
- All carbon credit projects **must be registered** with the National Registry System and meet eligibility rules defined by the Ministry of Environment and Forestry.
- Projects are increasingly aligned with **ICVCM Core Carbon Principles**.
- While Indonesia works with international standards such as **Verra** and **Gold Standard**, it requires pre-screening and government approval before foreign-issued credits can be used domestically.
- The government plans to introduce a national carbon credit classification system to indicate credit quality, additionality, and co-benefits such as biodiversity or community development.

Conclusions

1. Disclosure is Foundational to Climate Action

- Many companies rely on carbon credits to meet net-zero targets. Clear disclosure of credit attributes is increasingly demanded by stakeholders.

2. Voluntary Carbon Markets (VCMs) are Under Regulatory Oversight

- Although voluntary by nature, VCMs are now shaped by government interventions to improve credibility and NDC alignment.

3. Global Principles are Guiding Market Integrity

- The ICVCM Core Carbon Principles and VCMI Claims Code offer voluntary markets a path to high-integrity standards. Financial regulators increasingly support convergence toward these global norms.

4. A Regional Opportunity for Asia

- Asia could become a global leader in carbon markets. Regional harmonization will be key to scaling impact and mobilizing finance for credible climate action.

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Thank you for listening!