

The legislative foundations of an effective EU international credit procurement facility

October 2026



BeZero

Executive summary

The European Commission is expected to present legislation governing the EU's use of international carbon credits in December 2026. This legislation must equip the proposed procurement facility to build a sufficient pipeline of high-integrity credits, purchase them for use in 2036–2040 and manage the resulting portfolio over the long term. The table below sets out recommendations for the minimum legislative requirements needed to perform these functions, alongside additional provisions that could strengthen the facility's effectiveness.

Legislative area	Minimum legislative requirements	Potential additional provisions
Overarching mandate and functions	- Define the volume of credits the facility must procure for the ETS and the period during which they should be taken delivery of. - Enable the facility to procure additional credits on behalf of Member States, if provided with the authorisation to do so. - Clearly mandate the facility to perform three overarching functions: (i) building the pipeline; (ii) procuring credits; and (iii) ensuring the ongoing performance of the resulting portfolio is managed appropriately. - Provide the ability to source credits via a combination of Article 6.2 and 6.4 mechanisms.	- Set explicit annual volume targets for pipeline development and forward contracting up to 2035, and procurement targets for 2036–2040. - Specify the principal activities to be delivered under each of the three overarching functions.
Credit eligibility guardrails	Define simple, investable eligibility criteria based on (i) PACM- or CCP-alignment for methodologies; and (ii) corresponding adjustment.	Explicitly define that nature-based, technology-based, avoidance and removal credits will all be in scope.
Due diligence requirements	- Require project-specific technical due diligence before any contractual commitment or procurement decision. - Define that, for all contractual decisions, technical due diligence must assess, at the project-level: (i) carbon performance risk in relation to additionality, carbon accounting and permanence; (ii) risks of harm to communities or the environment; and (iii) the risk that authorisation of the project poses to the NDC of the host country. - Define that, for pipeline development and forward contracting decisions, technical due diligence must also assess project execution risk and credit delivery risk. - Give the facility authority to exclude projects that otherwise meet the eligibility criteria on the basis of this due diligence.	- Require technical due diligence to use independent carbon ratings provided by agencies authorised under ESMA's ESG Ratings Regulation. - Require the facility to define and publish the risk-tolerance thresholds that must be met (e.g. based on rating scores). - Require ongoing monitoring of procured credits against the due diligence criteria as part of the facility's mandate to manage the portfolio.
Partner country criteria	Define clear criteria based on NDC reporting transparency and Article 6 governance requirements that partner countries must meet.	Allow pipeline development contractual agreements to be entered into in cases where country-level criteria are not yet met, but where there is a clear pathway towards meeting the criteria.
EU competitiveness criteria	- Establish an overarching objective for the facility's activities to support EU competitiveness at portfolio level, without imposing a requirement on every project or partnership. - Define this contribution broadly to include European goods, technology, and services.	Set a specific monetary target for the contribution of international credit procurement to EU competitiveness.

Contracting and financing powers	• Establish the facility's authority to enter into a range of contractual arrangements to build the pipeline of credits, starting as soon as the appropriate legislation is in place. • Give the facility flexibility to procure credits through a range of mechanisms, including requests for proposals, auctions and directly negotiated transactions. • Give the facility authority to enter into contractual agreements with external private sector providers of risk management services, including for technical due diligence, insurance and ongoing management of the portfolio.	• Provide authority to award upfront grants or other financing for feasibility studies, project preparation and other development costs.
Governance and reporting	• Establish the basis of the facility's decision-making architecture, including institutional responsibilities, accountability and oversight. • Appoint an appropriate existing EU agency to lead the operational aspects of procurement. • Establish transparency and reporting requirements covering procurement decisions and portfolio performance.	• Require the publication of due diligence documentation, where this is not commercially sensitive. • Require regular reporting on the facility's contribution to EU competitiveness.

Contents

Executive summary	2
Contents	3
Background	4
The core functions of an EU international credit procurement facility	5
The features of an effective, efficient EU international credit procurement facility	9
Conclusion	14
Appendix: Lessons from existing public procurement systems	16

Background

The EU's amended Climate Law establishes a target of reducing net greenhouse gas emissions by 90% by 2040, compared with 1990 levels. It allows high integrity credits under Article 6 of the Paris Agreement to contribute up to five percentage points towards this target from 2036–2040. It also provides for the possibility of a pilot phase during 2031–2035.

Further details on the EU's potential use of international credits have emerged through the Commission's package of proposed reforms to the EU Emissions Trading System (ETS). The proposal would make up to 260 million allowances available to finance the centralised procurement of up to 260 million international credits during 2036–2040.

The use of these credits would allow the ETS to adopt a lower linear reduction factor (LRF) from 2036 onwards, easing the rate at which the supply of allowances declines. The proposal would also require the Commission to report by January 2033 on whether the market is likely to supply the required volume of high integrity international credits. If sufficient credits are not expected to be available, the LRF would likely be adjusted to ensure that the EU remains aligned with its 2040 target.

The proposed volume of 260 million credits is premised on the basis that the ETS covers approximately 40% of the EU's emissions, and on this basis the full 5 percentage point contribution would correspond to around 650 million credits. This leaves approximately 390 million credits potentially attributable to emissions outside the ETS. However, neither this allocation nor the powers of Member States to procure and use those credits has yet been settled.

In summary, the proposed centralised procurement facility for international credits would be authorised to procure up to 260 million credits for use during 2036–2040. The amount actually purchased could be lower if sufficient high integrity supply is not available. Conversely, the mechanism could ultimately procure more if Member States were permitted, and chose, to use it to purchase credits on their behalf.

The EU's central procurement facility has the potential to become the world's largest single end-buyer of carbon credits, across both public and private entities. Its design will be critical and could have a major influence on the development of the international carbon market more broadly. Many important questions remain, including:

- What types of credits the procurement facility will be authorised to purchase;
- Who will operate the facility and what its governance arrangements will be;
- What types of transactions, agreements and procurement arrangements it will be able to use;
- Whether credits will be sourced via the Article 6.2 bilateral mechanism, Article 6.4 multilateral mechanism, or both;
- What due diligence and risk management requirements will apply to contractual commitments, procurement and ongoing portfolio management;
- Whether, and if so how, the EU will ensure that international credit procurement supports broader competitiveness objectives through technology deployment and opportunities for European service providers.

The Commission is widely expected to put forward legislation governing the EU's use of international credits in December 2026. Although many operational details will need to be developed over time, the legislation must address, at least in broad terms, key questions like those above and give the central procurement facility the mandate, powers and operational flexibility needed to secure sufficient volumes of high integrity credits.

The aim of this paper is to establish the key elements that should be included in this legislation. We build towards this in two steps:

- 1. Establishing the core functions that an EU international credit procurement facility must deliver**
- 2. Discussing the cross-cutting features required to deliver these functions efficiently and effectively**

These recommendations draw on lessons from existing EU financing and procurement programmes and sovereign carbon credit purchasing. The Appendix examines the relevant precedents and their implications for the facility's legislative design.

The core functions of an EU international credit procurement facility

At a surface level, the procurement facility might appear to have only two functions:

1. To monitor the market and put in place the requisite Article 6.2 bilateral partnerships in the period up to 2036, both to inform the Commission's 2033 assessment and to prepare for the start of procurement;
2. To purchase the required volume of credits during 2036–2040, in accordance with the eligibility criteria established in legislation.

In practice, the facility will need to do considerably more. **The first major challenge is the availability of sufficient volumes of credits.** Existing sovereign buyers of Article 6 credits like Singapore and Japan have faced challenges in securing volumes far below those contemplated by the EU. Supply remains limited, with PACM still at an early stage, and its methodologies and approval processes are far more demanding than those of the Clean Development Mechanism (CDM) era. We estimate that global supply of Article 6 credits meeting a BeZero 'BBB' standard or higher in 2036–2040 could fall short of the EU's demand for 260 million credits, leaving little headroom for other sovereign and private buyers.¹

The EU therefore cannot assume that the market will move to develop sufficient supply solely in response to the prospect of future EU demand. Unlike the CDM era, projects will require early commitments to justify the considerably higher development expenditure requirements, obtain financing and navigate host country authorisation and Article 6 approval processes. The EU's

¹ Noting that this only accounts for the 260m credits required for ETS sector emissions, and there may be additional demand for 100s of millions of credits for Member State emissions.

procurement facility will consequently need to intervene much more actively than simply “market monitoring” before 2036.

The second major challenge is environmental integrity. It will not be sufficient simply to purchase credits that fall within the eligibility criteria established in legislation or subsequent Commission guidance. Individual projects that meet the same broad criteria on paper will present different technical risks in practice that can only be assessed through detailed, expert-led, project-specific scrutiny.

Nor can this scrutiny end when credits are purchased. Projects may subsequently underperform against the claims they have made. Natural hazards or human interventions may cause stored carbon to be re-released; new scientific evidence may challenge the assumptions underpinning a project’s carbon accounting; or a project developer may cease operating, leaving ongoing MRV requirements unmet. Although some of these risks will be managed by standards bodies – for example, through buffer pools – a large and sophisticated buyer such as the EU should not rely on these mechanisms alone. It will need to put in place the appropriate governance structures and remediation mechanisms to monitor and address risks across its portfolio.

Leading public and private procurement programmes increasingly reflect this lifecycle approach: they support the development of supply, assess credits before purchase and retain mechanisms for managing a portfolio after acquisition.

Against this background, the EU’s procurement facility must perform **three core functions**:

1. Build the pipeline (2028–2035)

The facility will need to proactively develop a sufficiently large and diverse pipeline of projects capable of supplying eligible credits from 2036. In practice, this pipeline may need to be considerably larger than the EU’s anticipated need, given the [tendency of projects to under-deliver on credit volumes in practice](#). This will require early-stage commitments with individual projects such as forward offtake agreements, options, advance market commitments, guarantees, project development support and milestone-based advance payments.

Alongside such commitments, the facility could consider credit guarantees to lenders financing eligible projects, covering a defined share of losses if borrowers fail to repay. Eligibility and guarantee terms could be linked to the outcome of technical due diligence, steering private capital towards high-integrity projects that address gaps in the anticipated supply of credits.

Such interventions may provide sufficient revenue certainty and targeted risk-sharing to make projects bankable and attract private capital, while limiting the EU’s financial exposure. This has already been [demonstrated in practice](#) in the voluntary carbon market, with long-term purchase commitments from creditworthy private buyers enabling developers to raise substantial upfront financing against future carbon credit revenues.

The principal sub-functions would be:

- **Building Article 6.2 bilateral partnerships.** The facility should support the establishment of bilateral partnerships with a wide range of host countries. Early engagement should identify promising sources of supply and address regulatory or institutional barriers, ensuring that partnership arrangements support project investment while remaining consistent with host countries' NDCs.
- **Market engagement.** The facility should engage proactively with project developers, host governments, standards bodies and other market participants. In particular, it should consult systematically with private financial institutions and public development finance institutions (DFIs) to understand the risks constraining investment and the terms required for its offtake agreements and other commitments to be considered bankable. This would help ensure that the facility's interventions crowd in the maximum possible external financing, while also identifying promising sources of supply and communicating its requirements sufficiently early for projects to respond.
- **Establishing and publicising application processes.** The facility should run requests for proposals or similar exercises through which developers can seek early-stage support or conditional procurement commitments. Drawing on the engagement described above, the application and award processes should be structured so that resulting offtake agreements and other commitments provide sufficient certainty to attract co-financing from private financial institutions and public development finance institutions. Calls could be targeted towards particular project types, countries, regions or supply gaps where this is justified by the facility's portfolio strategy.
- **Due diligence.** Project proposals should undergo due diligence covering carbon performance risk, risks of harm to communities or the environment, and risks to the host country's NDC arising from project authorisation. Due diligence at this stage should also consider the risk of projects failing to deliver the expected volume of credits. Only projects meeting defined risk tolerance thresholds should receive support or procurement commitments.
- **Sign-off and contracting.** The facility will need to establish clear, accountable governance processes for the sign-off of investment or other contractual decisions, accounting for the findings of due diligence. Contracts should define milestones, delivery obligations, monitoring rights and remedies for non-performance.
- **Contract management.** The facility should manage supported projects from contract signature through to issuance and delivery. This would include monitoring milestones, approving payments and determining whether contracts should be amended, suspended or terminated.

2. Procure credits (2036–2040)

The facility's second core function will be to purchase credits for use during 2036–2040². Purchases will include credits from both its earlier pipeline-building activities and other sources of eligible supply, with each source encompassing Article 6.2 partnerships and the wider Article 6.4 mechanism.

The principal sub-functions would be:

- **Continued market engagement.** The facility should maintain an up-to-date view of expected supply, market prices and competition from other buyers to inform its procurement strategy.
- **Establishing and publicising procurement processes.** The facility could consider a range of procurement methods, including open requests for proposals, auctions or reverse auctions,

² Although eligible credits must be generated between 2036 and 2040, the procurement window may need to extend beyond 2040 to accommodate final accounting and reporting.

framework agreements and negotiated bilateral transactions. Credits delivered under existing pipeline agreements would not need to go through open competition processes again.

- **Due diligence.** This may need to be repeated for projects previously supported through the pipeline-building function, recognising that risks typically change materially once a project is operational and issuing credits.
- **Sign-off and contracting.** As above, clear, accountable governance processes should be established for the sign-off of final procurement decisions, accounting for the findings of due diligence. Contracts should clearly specify accountability in the event of reversals or other issues.
- **Delivery, retirement and accounting.** The facility will need registry accounts and operational processes to take delivery of purchased credits and retire them for use towards the EU's NDC. Each transfer and retirement should be accurately logged and reconciled across the relevant registry and accounting systems, creating the auditable record needed for the credits to be recognised in the EU's Article 6 reporting and NDC accounting.

3. Manage the portfolio (2036 onwards)

The facility's responsibilities will not end when credits are purchased. It will need to monitor the performance of the projects from which its credits originate and manage any risks that subsequently materialise. This is consistent with good contract management practice in any procurement activity.

In practice, the EU could delegate ongoing portfolio management, including monitoring, contract management and addressing performance issues, to a specialist asset manager, while transferring specified liabilities to suppliers or insurers. The facility would retain ultimate oversight and accountability.

The principal sub-functions would be:

- **Tracking project performance and emerging risks.** The facility should maintain independent oversight of performance issues within its portfolio, and monitor risks which may result in performance issues, including corresponding adjustment revocations. As well as tracking at the project-level, broader risks at the country, region or sector-level should be tracked.
- **Management of performance issues.** The facility should have mechanisms for addressing issues such as reversals or loss of authorisation. Mechanisms could include replacement obligations, buffers or reserves, insurance or recovery action against counterparties.

The features of an effective, efficient EU international credit procurement facility

The previous section established the functions that an EU international credit procurement facility will need to perform. The next question is how it can deliver these functions effectively and efficiently.

We propose six features A–F that the facility will need to achieve this.

A. Simple, interoperable eligibility criteria

The legislation should set the minimum requirements for the credits that the facility may purchase. A simple, practical formulation could be:

- Align with PACM or CCP-approved methodologies;
- Corresponding adjustment applied by a country that meets partner country requirements (see below).

Beyond these minimum requirements, the legislation should avoid imposing further binding restrictions on particular project types and methodologies. The guardrails must be clear enough to give the facility an unambiguous purchasing mandate and protect minimum standards, but sufficiently broad to enable it to secure the required volume of credits.

Alignment with existing high-integrity standards offers two key benefits:

1. It would reduce the time needed to develop and consult on EU-specific requirements, giving project developers and investors earlier clarity on eligibility. This would support investment decisions and allow pipeline development to begin sooner.
2. It would support interoperability with other sovereign and private buyers. Projects may generate credits for decades, while EU demand under this framework covers only 2036–2040. Their financial viability may therefore depend on access to buyers beyond the EU's purchasing window. Shared standards would help preserve that access, while alignment with PACM or CCP-approved methodologies, combined with robust project-level due diligence, would provide safeguards against environmental integrity risks.

Partner country eligibility criteria should be as simple as possible and aligned with existing standards or guidance. The EU should focus on transparent, detailed NDC reporting and robust Article 6 governance, including clear arrangements for authorisation, corresponding adjustments, and tracking and reporting credit transfers. Recognising that countries may need time to meet these requirements, pipeline-building activities could proceed where there is a credible commitment to implement the necessary reforms within a defined timeframe.

Finally, the EU should not set specific eligibility criteria at the project or partnership level based on contribution to “EU competitiveness”. Rather, this should be an overarching objective assessed across the facility's portfolio, with the contribution defined broadly to include European goods, technology and services. An overarching monetary target could help guide and assess this contribution while preserving flexibility in individual procurement decisions.

B. Well-defined due diligence requirements

The use of broad purchasing guardrails makes robust project-level due diligence particularly important. The variation in BeZero project-level carbon ratings for credits that meet market integrity thresholds demonstrates this (see Figure 1 below).

The legislation should therefore establish the principal technical matters that due diligence must consider, while leaving the detailed assessment process to the facility. Legislation should ensure that the facility has a clear mandate to reject projects on the basis of this due diligence.

From an environmental integrity standpoint, due diligence must cover:

1. Carbon performance risk – the risk that credits issued by a project do not represent 1 tonne CO₂e avoided or removed, based on an assessment of risks to:
 - a. Additionality – the risk that the activity would have occurred in a counterfactual scenario without carbon finance;
 - b. Carbon accounting – the risk that credit issuance overstates the emissions avoided or removed because of (for example) insufficient evidence, overoptimistic assumptions or inadequately accounted-for leakage;
 - c. Permanence – the risk that stored carbon is released before the end of the claimed storage period, taking account of mitigation measures.
2. Risks of harm to communities or the environment – i.e. the risk that the project’s activities could result in negative impacts on communities in the project area, or have detrimental effects on other environmental quality factors, beyond carbon.
3. The risk that authorisation of the project poses to the NDC of the host country – i.e. the risk that transferring the project’s mitigation outcomes abroad leaves the host country with insufficient mitigation to meet its NDC.

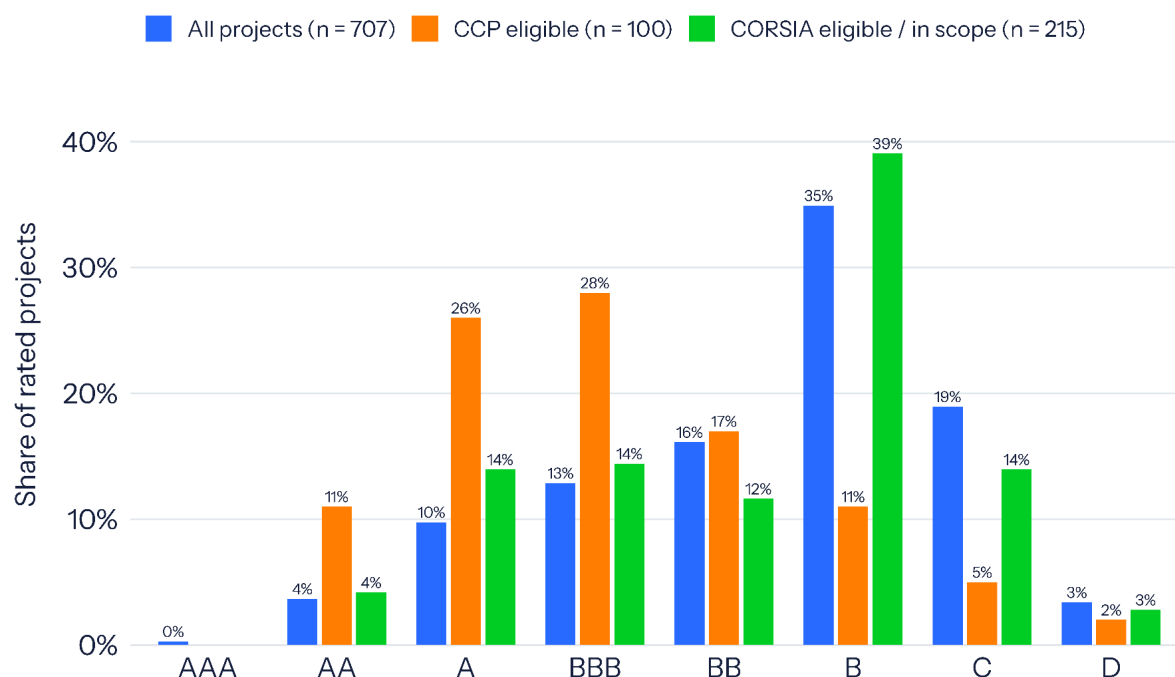
For pipeline development and forward contracting decisions in the period up to 2036, due diligence must also consider the risk that a project under-delivers against its expected issuance volume. This assessment should test the realism of projected credit volumes and issuance timelines, considering technical assumptions, implementation plans, developer capability, funding, and regulatory and operational risks. It should estimate potential shortfalls over the required delivery period and assess whether proposed risk mitigation measures are credible and feasible.

Establishing these requirements in legislation would put beyond doubt what projects need to demonstrate. However, if the facility’s detailed assessment process operates as a “black box”, uncertainty over which projects will qualify on the basis of due diligence could deter investment and constrain the development of supply. The facility should therefore use transparent and predictable assessment tools.

As discussed under Feature F below, this could include independent carbon ratings with which market participants are familiar and whose methodologies are publicly available. Their expected inclusion within the scope of ESMA’s ESG Ratings Regulation would provide additional assurance over providers’ independence, transparency, governance and management of conflicts of interest.

Going further, the facility could use ratings, and/or their underlying risk scores, to define the minimum threshold that projects must meet to pass technical due diligence. This would provide investors with greater certainty over the projects likely to qualify for procurement.

Figure 1: BeZero Carbon ex post ratings distribution (August 2026) for: (i) all rated projects; (ii) projects following CCP-eligible methodologies; (iii) projects following CORSIA Phase 1-eligible methodologies



C. A clear division of responsibilities, brought together through governance

The system will need a diplomatic and policy arm responsible for high-level engagement with host governments. This would include putting Article 6.2 bilateral partnerships in place, establishing their terms and determining any broad geographic or sectoral priorities.

It will also need an operational procurement arm responsible for issuing calls for proposals, assessing applications, commissioning due diligence, taking projects through the sign-off process, contracting and ensuring the appropriate structures are in place to manage liabilities across the portfolio on an ongoing basis.

These responsibilities should be clearly divided. However, they will also need to be brought together through a wider governance structure, as the diplomatic, policy and procurement functions will be inextricably linked. For example, the terms of bilateral partnerships will shape the projects available to the facility, while experience from procurement should inform future engagement with host governments.

D. Use of existing financing and procurement capabilities

Many of the capabilities required to operate the facility will be familiar from existing EU procurement and funding programmes. These include managing calls for proposals, administering application processes, designing and negotiating contracts, managing payments and monitoring contractual delivery.

The facility should also draw on existing channels for supporting investment in partner countries. Global Gateway, including its Investment Hub coordinated by DG INTPA, could help connect pipeline-building activities with technical assistance, project preparation support and potential financing partners. Cooperation with the European Investment Bank and other development finance institutions could provide access to expertise in project financing, guarantees and risk-sharing.

There is therefore no need to build all of these capabilities from scratch. Existing EU bodies and financial institutions could fulfil complementary operational, administrative and financing roles, with responsibilities clearly allocated through the facility's governance arrangements. This would allow the facility to become operational more quickly and avoid the cost and complexity of creating a new institution.

E. A flexible toolkit for financing, procurement and ongoing risk management

The facility will need flexibility to deploy different financial mechanisms across the project lifecycle, rather than relying on a single model.

For early-stage support, it could enter into forward purchase or offtake agreements that provide projects with revenue certainty, or offer options giving projects the right to sell future credits at an agreed floor price. It could also provide partial credit guarantees to lenders financing eligible projects, covering a defined share of losses if borrowers fail to repay. These instruments could be complemented by grants for feasibility studies, project preparation and other development costs.

When purchasing issued credits, the facility could use rolling calls for proposals, time-bound reverse auctions or negotiated bilateral transactions for particularly large or strategic opportunities.

The facility will also need tools to manage risks after purchase, including delivery shortfalls, reversals and replacement obligations. These could include maintaining a strategic reserve of credits, enforcing contractual remedies and pursuing recovery action, or transferring specified risks through insurance.

There is no established model for doing any of the above at the scale required, and the most effective approaches will become clear only through practice. The facility should therefore retain the ability to test, combine and refine different mechanisms as experience develops.

F. Flexibility to contract specialised services without outsourcing judgement

Delivering the facility's functions at scale will require specialist capabilities across technical assessment, procurement, insurance and portfolio management. The legislation should give the facility flexibility to contract external providers in each of these areas.

For due diligence, independent carbon ratings can support the assessment of carbon performance risk, drawing on deep sector expertise and the aggregation of scientific, geospatial and project-level evidence. Rating agencies can also assess risks and benefits beyond carbon, as well as delivery risk, which require similarly specialised expertise and evidence. Contracting these services would provide access to established analytical capabilities and transparent assessment frameworks. As discussed above, the expected inclusion of carbon ratings within ESMA's ESG Ratings Regulation would support this.

Exchange platforms and other specialist providers could support the design and execution of procurement exercises, including auctions and reverse auctions. Their capabilities could help the facility reach eligible suppliers, standardise submissions, compare offers and support price discovery, while leaving award decisions with the facility.

Specialist insurance could help manage specified risks associated with non-delivery, corresponding adjustment revocation, reversals and other post-procurement issues. Where suitable cover is available, it could transfer defined financial exposures and support the cost of replacing credits that no longer meet the facility's requirements. Coverage should complement contractual protections, monitoring and other risk management measures.

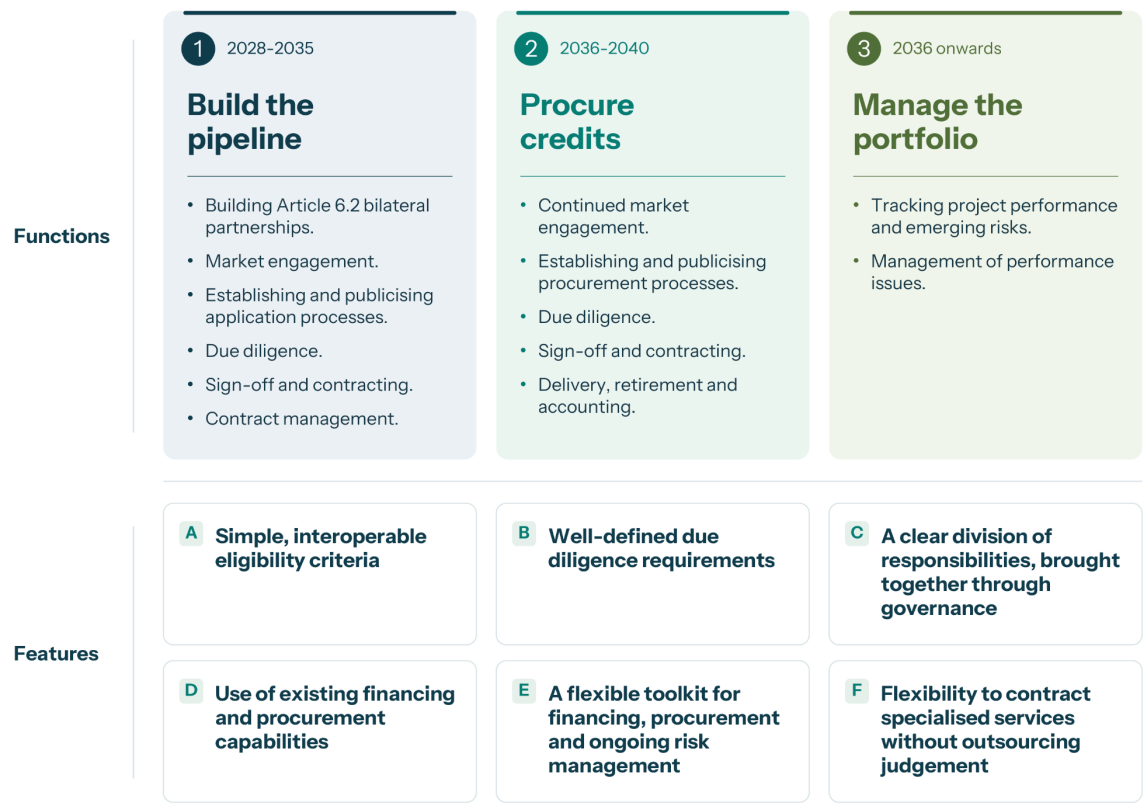
A specialist external asset manager could manage the portfolio and its ongoing liabilities after procurement. Its responsibilities could include monitoring project performance, administering contracts, managing reserves and insurance arrangements, and coordinating responses to shortfalls or reversals. This delegation should operate under a clear mandate, defined risk limits, reporting requirements and conflict-of-interest controls, with appropriate oversight. The proposed [Permanence Trust](#) for nature-based solutions is one example of such an approach.

Across these areas, external providers should supply expertise and operational capacity within a governance framework established by the facility. The public body should retain responsibility for investment and procurement decisions, oversight of delegated activities and ultimate accountability for the portfolio's performance.

Conclusion

This report has established the key functions which an EU international carbon credit procurement facility will need to perform, and the cross-cutting features required to deliver these functions efficiently and effectively. This is summarised in Figure 2 below.

Figure 2: Illustration of the functions and features of an effective, efficient EU international carbon credit procurement facility



The immediate challenge facing the EU is to establish a legislative basis for the procurement of international credits. The Commission is expected to present an initial legislative proposal in December 2026. Table 1 summarises our recommendations, based on the findings of this report, for the minimum requirements this legislation should establish, as well as additional provisions that could provide greater clarity and strengthen the facility’s effectiveness.

Table 1: Recommendations for the legislative framework establishing the EU international credit procurement facility

Legislative area	Minimum legislative requirements	Potential additional provisions
Overarching mandate and functions	• Define the volume of credits the facility must procure for the ETS and the period during which they should be taken delivery of. • Enable the facility to procure additional credits on behalf of Member States, if provided with the authorisation to do so. • Clearly mandate the facility to perform three overarching functions: (i) building the pipeline; (ii)	• Set explicit annual volume targets for pipeline development and forward contracting up to 2035, and procurement targets for 2036-2040. • Specify the principal activities to be delivered under each of the three overarching functions.

	- procuring credits; and (iii) ensuring the ongoing performance of the resulting portfolio is managed appropriately. - Provide the ability to source credits via a combination of Article 6.2 and 6.4 mechanisms.	
Credit eligibility guardrails	Define simple, investable eligibility criteria based on (i) PACM- or CCP-alignment for methodologies; and (ii) corresponding adjustment.	Explicitly define that nature-based, technology-based, avoidance and removal credits will all be in scope.
Due diligence requirements	- Require project-specific technical due diligence before any contractual commitment or procurement decision. - Define that, for all contractual decisions, technical due diligence must assess, at the project-level: (i) carbon performance risk in relation to additionality, carbon accounting and permanence; (ii) risks of harm to communities or the environment; and (iii) the risk that authorisation of the project poses to the NDC of the host country. - Define that, for pipeline development and forward contracting decisions, technical due diligence must also assess project execution risk and credit delivery risk. - Give the facility authority to exclude projects that otherwise meet the eligibility criteria on the basis of this due diligence.	- Require technical due diligence to use independent carbon ratings provided by agencies authorised under ESMA's ESG Ratings Regulation. - Require the facility to define and publish the risk-tolerance thresholds that must be met (e.g. based on rating scores). - Require ongoing monitoring of procured credits against the due diligence criteria as part of the facility's mandate to manage the portfolio.
Partner country criteria	Define clear criteria based on NDC reporting transparency and Article 6 governance requirements that partner countries must meet.	Allow pipeline development contractual agreements to be entered into in cases where country-level criteria are not yet met, but where there is a clear pathway towards meeting the criteria.
EU competitiveness criteria	- Establish an overarching objective for the facility's activities to support EU competitiveness at portfolio level, without imposing a requirement on every project or partnership. - Define this contribution broadly to include European goods, technology, and services.	Set a specific monetary target for the contribution of international credit procurement to EU competitiveness.
Contracting and financing powers	- Establish the facility's authority to enter into a range of contractual arrangements to build the pipeline of credits, starting as soon as the appropriate legislation is in place. - Give the facility flexibility to procure credits through a range of mechanisms, including requests for proposals, auctions and directly negotiated transactions. - Give the facility authority to enter into contractual agreements with external private sector providers of risk management services, including for technical due diligence, insurance and ongoing management of the portfolio.	Provide authority to award upfront grants or other financing for feasibility studies, project preparation and other development costs.
Governance and reporting	- Establish the basis of the facility's decision-making architecture, including institutional responsibilities, accountability and oversight. - Appoint an appropriate existing EU agency to lead the operational aspects of procurement. - Establish transparency and reporting requirements covering procurement decisions and portfolio performance.	- Require the publication of due diligence documentation, where this is not commercially sensitive. - Require regular reporting on the facility's contribution to EU competitiveness.

Appendix: Lessons from existing public procurement systems

In designing its international credit procurement facility, the EU can draw on relevant public-sector experience. Although it has never procured carbon credits centrally, the EU operates other programmes with similar requirements, while other countries have established their own international carbon credit procurement systems. This section examines a set of precedents and the lessons they offer for the facility's legislative design.

European Hydrogen Bank auctions

Context

The European Hydrogen Bank uses Innovation Fund auctions to support the development of renewable and low-carbon hydrogen production. Projects compete for a fixed premium per kilogram of hydrogen produced, with the lowest qualifying bids receiving payments for certified production over a defined period.

Equivalent features and functions

The EU is not purchasing hydrogen directly, but the model performs similar market-building functions. It uses competitive auctions to discover prices, allocates support through long-term contracts and makes payment conditional on verified delivery. CINEA runs the calls, assesses bids, concludes agreements and monitors performance using existing EU capabilities.

Legislative precedents

- **A choice of financial mechanisms:** [Article 10a\(8\) of the EU ETS Directive](#) expressly allows the Innovation Fund to use competitive bidding mechanisms, including fixed-premium contracts, Contracts for Difference and Carbon Contracts for Difference.
- **Flexible auction design within common rules:** [Articles 13a–13d of the Innovation Fund Delegated Regulation](#) establish principles for competitive bidding, qualification requirements and bid ranking, while leaving detailed eligibility criteria, budgets, price ceilings and contract terms to each call.
- **Performance-based payment and risk management:** [Articles 7 and 13f](#) provide for recovery and financial guarantees. The [auction terms](#) make support conditional on certified production and use completion guarantees and delivery deadlines to address non-performance.
- **Delivery through an existing agency:** [Articles 16–18 and 23–25 of the Delegated Regulation](#) allow implementation bodies to evaluate applications, award and manage funding, and monitor and audit delivery. In practice, these functions are performed by CINEA.

EU vaccine procurement

Context

In 2020, the EU created a centralised system to secure COVID-19 vaccines that were still under development. The Commission negotiated Advance Purchase Agreements (APAs) on behalf of Member States, using upfront EU funding to support development and manufacturing in return for access to vaccines if successful.

Equivalent features and functions

Like international credits, vaccines had to be developed at scale before their performance and availability were certain. The EU made early commitments, procured from several suppliers to diversify risk and tailored contractual terms to each transaction. A joint negotiation team conducted procurement and independent scientific advice informed decisions, while the Commission retained final responsibility.

Legislative precedents

- **Broad procurement powers:** [Article 4\(5\)–\(7\) of the Emergency Support Instrument Regulation, as amended by Regulation \(EU\) 2020/521](#), authorised joint procurement, procurement by the Commission on behalf of Member States, and direct Commission purchasing and stockholding.
- **Defined assessment criteria, informed by independent technical advice:** The [negotiating directives annexed to the Decision](#) required decisions to consider available evidence on quality, safety and efficacy, alongside delivery at scale, cost, risk-sharing, technological diversification and production capacity. Independent scientific advice was required before final decisions.
- **Flexible financing and contracting:** The same negotiating directives authorised upfront financing for development and manufacturing, and allowed APAs to provide either a right or an obligation to purchase. Payment structures and other contractual terms could be tailored to each manufacturer.

InvestEU

Context

InvestEU uses an EU budget guarantee to mobilise investment in areas such as sustainable infrastructure, innovation and small businesses. Financing is delivered through the EIB and other implementing partners rather than directly by the Commission.

Equivalent features and functions

InvestEU separates policy, technical assessment and investment execution. Legislation establishes the eligible activities and risk framework, implementing partners identify transactions and undertake due diligence and an independent Investment Committee determines whether each proposal qualifies for EU support. This allows specialist institutions to exercise commercial judgement without outsourcing public accountability.

Legislative precedents

- **Clear eligibility guardrails:** [Articles 3, 8 and 14 and Annexes II and V of the InvestEU Regulation](#) define the programme's objectives, policy areas, eligible activities, additionality requirements and exclusions.
- **Delivery through existing institutions:** [Articles 13, 15 and 17](#) authorise the EU guarantee to be implemented through the EIB and other qualifying partners, with their responsibilities set out in guarantee agreements.
- **A defined assessment process:** [Articles 22–24](#) require proposals to pass a Commission policy check and be assessed against a structured scoreboard. An independent Investment Committee then verifies compliance with the Regulation and investment guidelines, including additionality and the mobilisation of private capital.

European Green Bond Regulation

Context

The European Green Bond Regulation establishes a voluntary EU label for bonds financing activities aligned with the EU Taxonomy. Issuers must publish standardised information and obtain independent external reviews.

Equivalent features and functions

The regulation demonstrates how regulated private providers, including established ratings agencies, can apply technical criteria to individual assets, providing independent assessments without the public authority performing every assessment itself.

Legislative precedents

- **Independent assessment:** [Articles 10–12](#) require external reviews before issuance and after proceeds have been allocated; impact reports may also be reviewed.
- **Regulated providers:** [Articles 22–25](#) require external reviewers to register with ESMA. Registered reviewers currently include Moody's, Sustainable Fitch and S&P Global Ratings, acting in their capacity as external reviewers. ([ESMA register](#))
- **Governance of assessments:** [Articles 26–38](#) establish requirements covering expertise, methodologies, internal controls, conflicts of interest and publication of reviews.

ECB asset purchase programme

Context

Through its quantitative easing programmes, the ECB and national central banks purchased large volumes of public-sector bonds, corporate bonds, covered bonds and asset-backed securities to support monetary policy objectives.

Equivalent features and functions

The programmes required clear eligibility rules, large-scale decentralised purchasing and ongoing portfolio risk management. External ratings were used to screen assets, but did not replace the Eurosystem's own due diligence or purchasing judgement.

Legislative precedents

- **Ratings as an eligibility threshold:** [Article 2 of the Corporate Sector Purchase Programme Decision](#) requires eligible corporate bonds to meet Eurosystem credit quality rules and specifies that only ratings from recognised external credit assessment institutions may be used.
- **Ratings supplemented by judgement:** [Article 3 of the ABS Decision](#) and [Article 4 of the corporate-bond Decision](#) require independent credit-risk assessment, ongoing due diligence and portfolio limits alongside the ratings-based eligibility rules.

Singapore Government Article 6 credit procurement

Context

Singapore is procuring Article 6 credits for use towards its national climate target. In September 2025, it awarded S\$76.4 million of contracts for around 2 million nature-based credits from four projects in Ghana, Paraguay and Peru. A second, sector-neutral procurement was subsequently launched.

Equivalent features and functions

The model combines bilateral government agreements, competitive procurement and project-level assessment. Singapore uses a two-stage process – pre-qualification followed by detailed proposals – and contracts credits for future delivery. Proposals are assessed for environmental integrity, supplier capability and price, supported by specialist carbon-rating providers.

Legislative and procurement precedents

- **Minimum integrity guardrails:** The [Carbon Pricing Regulations](#) establish seven principles covering additionality, quantification, permanence, leakage and other risks. Bilateral eligibility lists then identify acceptable programmes and methodologies.
- **Staged project assessment:** The [second RFP](#) uses pre-qualification before inviting detailed project proposals. Under Singapore's [bilateral authorisation process](#), projects progress through concept, design, authorisation and corresponding-adjustment stages.
- **Use of carbon ratings for due diligence:** NEA appointed [BeZero Carbon, Calyx Global and Sylvera](#) through a competitive tender to provide independent assessments and improve the rigour of Government purchasing decisions.