


Unlocking global climate finance: Governments must champion carbon markets

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Emily Warrender

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While governments worldwide are stepping up to support voluntary carbon markets, now is the time to scale climate finance with integrity and impact, Chris Duck from Climate Impact Partners argues

A global call to action

2025 is on track [to be the second warmest year ever recorded](#), following unprecedented global temperatures in 2023 and 2024. This trend of extreme heat is a stark reminder of the urgent need for immediate action to address the intertwined crises of climate change, biodiversity loss, and social inequality.

Finance is a vital enabler of climate action, but current investments fall short of what is needed to drive the global transition to net zero. [According to the State of Climate Action 2023 report](#), the world needs \$5.2 trillion in climate investment by 2030 to stay on track for net zero and avoid the worst consequences of climate change.

At COP29, [governments pledged to triple climate finance](#) for developing countries to \$300 billion annually by 2035. A considerable gap remains, private sector has a critical role to play.

One of the most established pathways for mobilising private sector climate finance is the [voluntary carbon market \(VCM\)](#). Through the VCM, [companies fund carbon mitigation projects](#) as part of their broader climate strategies, which reduce or remove carbon emissions from the atmosphere and deliver benefits for nature and communities. These benefits include protecting ancient standing rainforests, planting new forests and improving health and livelihoods through clean cooking and water solutions.

Companies using carbon credits are, [on average, decarbonising approximately twice as fast as their peers](#) that are not. Impact driven through the carbon market is vital for us to surmount the global climate crisis we face, and so must scale rapidly.

Carbon markets are maturing

Despite facing notable challenges, the VCM continues to demonstrate its impact on the ground and its role as a critical climate tool.

With the need for high-integrity solutions at the centre of the debate, the market is responding accordingly.

Independent ratings agencies are helping buyers assess credit quality; industry bodies, such as the Integrity Council for the Voluntary Carbon Market (ICVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI), are setting a high bar for quality on both the supply and demand sides; methodologies are evolving to enhance transparency and environmental integrity; and new technology and tools are creating greater efficiencies.

But to fully unlock the potential of the VCM, clear policy signals and public sector endorsement are essential to provide the clarity businesses need to engage at scale and drive meaningful climate and nature outcomes.



Carbon finance supports Aqua Clara in bringing safe drinking water to rural schools across East Africa, increasing school attendance by decreasing preventable illnesses.

Governments step up: A new era of public-private collaboration

2025 has marked a turning point in governments' engagement with carbon markets. During London Climate Action Week, [the UK, Kenya, and Singapore launched the Coalition to Grow Carbon Markets](#), a government-led initiative to strengthen voluntary demand for high-integrity carbon credits. France and Panama quickly joined, with Peru an early supporter, signalling growing global alignment.

The coalition aims to develop shared principles that give businesses confidence to invest in carbon markets. By COP30 in Brazil, these principles will be formalised, helping lay the groundwork for climate finance to flow to the countries most impacted by, yet least responsible for, the climate crisis.

Meanwhile, [the UK Government also sought feedback](#) on steps it could take to raise the integrity and use of voluntary carbon and nature markets as mechanisms to support achievement and enhancement of its domestic and global climate and nature goals.

The consultation marked a pivotal opportunity to establish clear guardrails for UK businesses to engage confidently with carbon markets. By providing clarity and support, the Government can help unlock the full potential of the market – driving climate impact, innovation, investment, and economic growth.

Momentum is also building in Europe. [The EU announced its intention](#) to incorporate Article 6 carbon credits into its 2040 climate targets, marking a significant and welcome shift in sentiment. While this development was not widely expected, it sends a strong signal that carbon markets are increasingly recognised as a vital tool in the global climate response.

From recognition to incentivisation: What's needed next

What's missing is clear, consistent guidance about how companies should communicate their use of carbon credits in their climate strategies, and how this translates into a clear return on investment. The EU has made progress with the proposed Green Claims Directive, but its delay ahead of final trilogues, due to concerns over regulatory burden, highlights the need for pragmatic policy and frameworks.

Governments must create environments where businesses are rewarded, which could include:

- Clear, consistent and actionable guidance and guardrails for how companies can make credible climate claims when using carbon credits.
- Tax incentives or procurement preferences for companies investing in high-integrity carbon credits.
- Public endorsement of the VCM and the use of carbon credits as a credible mechanism to achieve emissions reduction goals.

Measures like these can help embed the use of carbon credits into central climate strategies, and in turn scale the market.

Building the future of climate finance

The VCM is evolving. With growing integrity, digital innovation, and government leadership, we are entering a new era of climate action. The focus must now be on building a future where carbon markets are a seamless part of corporate climate strategies and a powerful engine for global climate finance.

By COP30, the Coalition to Grow Carbon Markets will have issued shared principles that could redefine how businesses engage with carbon markets. This is an important moment. With government leadership, business engagement, and international

alignment, we can unlock the full potential of carbon finance and deliver real impact for people and planet.

Primary Contributor

Chris Duck

Climate Impact Partners

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