

Terms of Reference for the Open Coalition on Compliance Carbon Markets

1. Purpose

- 1) The Open Coalition on Compliance Carbon Markets (“the Coalition”) is a voluntary, collaborative initiative that aims to advance international cooperation on compliance carbon markets as an important policy tool for achieving Nationally Determined Contributions under the Paris Agreement, while upholding environmental integrity and enabling just transitions, and to foster mutual understanding of carbon pricing mechanisms. The Coalition seeks to strengthen collaboration, explore options to promote interoperability between systems in the long-term, and contribute to high-integrity climate action globally aiming to foster sustainable development, further strengthen members’ confidence in and commitment to carbon market systems and rules, and jointly uphold the stable and sound development of compliance carbon markets.

2. Scope

- 2) The Coalition will focus its collaborative efforts on providing a framework in which members would advance possibilities of collaboration on development and enhancement of domestic carbon markets to reflect Paris Agreement climate goals and accelerate implementation, taking into account their different national circumstances and approaches including but not limited to:
 - a. Monitoring, Reporting, and Verification (MRV) systems, with a view to advancing mutual understanding, and exploring options to promoting long-term interoperability.
 - b. Carbon accounting methodologies, including approaches that enhance transparency across states, with a view to interoperability of carbon markets in the long term.
 - c. Rules governing the potential use of high-integrity offsets, promoting environmental integrity and alignment with best practices in carbon accounting; and
 - d. Exchange of experiences and technical cooperation to promote long-term convergence in key market design elements and to strengthen the overall effectiveness of compliance carbon markets.

3. Objectives

- 3) The overarching objective of the Coalition is to advance international cooperation on compliance carbon markets and mutual understanding of carbon pricing mechanisms as means to accelerate collective climate ambition and action, in line with global efforts to reduce greenhouse gas emissions.
- 4) It will serve as a high-ambition platform for voluntary collaboration among Members, facilitating structured dialogue, exchange of experiences, and coordinated approaches to the development and implementation of compliance carbon markets.
- 5) It aims to foster mutual understanding and promote interoperability across carbon markets by exchanging experiences and gradually facilitating alignment of key design features.

- 6) It shall strive for an inclusive and neutral technological approach and encourage the exchange of knowledge and experiences.
- 7) It shall develop and advance shared principles that ensure cost-effectiveness in reducing greenhouse gas emissions, fairness, transparency, and environmental integrity of compliance carbon markets.
- 8) It shall contribute to long-term interoperability across compliance carbon market design elements, helping Members overcome technical, institutional, and information barriers to participation in high-integrity compliance carbon markets and enhancing global compliance carbon market readiness.
- 9) Its activities will build on and complement relevant existing initiatives, avoiding duplication of efforts and promoting coherence, efficiency, and knowledge exchange among states working to advance robust governance of compliance carbon markets.

4. Participation

10) All modalities of participation in the Coalition imply affirming commitment to the objectives of the Coalition as specified in points (3-9)

Membership

11) Members of the Coalition have voting rights in the Coalition's High-Level Meetings.

12) To be eligible for membership, an applicant must meet the following cumulative requirements:

- a. Be a state or a Regional Economic Integration Organization – REIO (Article 1(6) of UNFCCC).
- b. Have a nationwide domestic compliance carbon market or carbon pricing scheme that is operational, or under development based on an approved legal and regulatory framework, demonstrating institutional readiness to engage in the Coalition's technical and policy activities.

13) Willing states or REIO must submit a written expression of interest in membership to the Coalition Secretariat, which verifies eligibility as per paragraph 12 above and forwards the request to the High-Level Meetings for confirmation, in accordance with the criteria defined in this Section. Membership is granted through a formal decision/ confirmation by the High-Level Meeting. The admission becomes effective upon issuance of a written notification by the Secretariat to the applicant and formal communication, in line with Coalition's transparency procedures.

Observership

14) Observers may participate without voting rights in the meetings of the Coalition bodies and may be asked to contribute to specific tasks of the Work Plan. They may take the floor in the meetings upon request and when accepted by the chair or member acting in that capacity.

15) The High-Level Meetings may grant the status of observer in the Coalition, following the same procedure of application and approval as described in paragraph 13. Entities applying to become observers must meet the following cumulative criteria:

- a. Be a state, subnational public authority, a REIO or other entity relevant to the objectives of the Coalition.
- b. Commit to actively contribute to delivering the objectives of the Coalition and provide justification for such contribution.

Change of membership status

16) An Observer may apply to become a Member of the Coalition upon meeting the membership eligibility criteria set out in paragraph 12 and submitting its expression of interest as per paragraph 13.

17) Members that cease to meet eligibility criteria for membership may be reclassified as Observers.

5. Governance Structure

18) The governance structure of the Coalition is designed to enable effective coordination and inclusive participation. The Coalition comprises:

- a. The High-Level Meetings
- b. A Secretariat,
- c. Thematic Working Groups established by the Secretariat as needed to implement the Coalition's mandate.

19) The High-Level Meetings consist of all Members of the Coalition and serve as the primary forums for strategic decision-making. Each Member designates one focal point at ministerial level or their representative and the High-level meetings are led by a chair and two co-chairs.

20) The High-Level Meetings set priority areas for collaboration, mandate the establishment of the executive meetings, approve the annual agenda and working mandate of the executive meetings, decide on the admission of new Members and other administrative matters, and approve the Coalition's final documents and reports.

21) The High-Level Meetings will aim to take decisions mentioned under paragraph 20 by consensus, informed by indicative vote when necessary.

22) In the setting up period, Brazil, China and the EU will constitute the High-Level Meetings. The setting-up period will end with the first formal High-Level Meeting in which applications for membership will be considered.

23) The Executive Meetings facilitate coordination and operational oversight across the Coalition. It is composed of representatives from Member States and is led by the Chair and two Co-Chairs.

24) The Secretariat serves as the permanent institutional support structure of the Coalition, ensuring continuity, coordination, structured documentation and effective delivery of its work program. It operates under the strategic guidance of the High-Level Meetings and supports the operational direction of the executive meetings.

25) The Secretariat proposes and implements the annual Work Plan in accordance with the executive meetings' decision. It may propose thematic Working Groups to undertake technical tasks, and prepare documents and recommendations derived from the Working Groups to be submitted to the executive meetings and High-Level Meetings. It ensures coherence between the High-Level Meetings' strategic decisions and the Coalition's activities and may invite relevant stakeholders to participate in its meetings or Working Group discussions, as decided by members. Invitation to stakeholders can be issued upon the proposal of a Member if unopposed by no other Member within 10 days.

26) Working Groups may be established to advance specific mandates aligned with the annual agenda adopted by the High-Level Meetings. They serve as technical platforms to carry out in-depth discussions, develop analytical inputs, and elaborate documents required for decision-making. Their outputs are submitted to the executive meetings for review and approval prior to transmission to the High-Level Meetings.

27) The Secretariat is responsible for organizing the High-Level Meetings, the Executive Meetings, and Working Groups; maintaining documentation and records; facilitating communication among Members; supporting Working Groups in the development of technical inputs and in structuring the documents; progress reports, and updates.

28) The Secretariat is hosted by an entity designated by the High-Level Meetings and is supported by secured financial resources or in-kind contributions to ensure sustained operational capacity. It operates in a technical and facilitative capacity and does not hold decision-making authority.

29) The Secretariat shall initially operate as a virtual coordination structure, enabling efficient collaboration among Members while minimizing administrative and operational costs during the Coalition's initial phase. Any future decision by the High-Level Meeting to establish a physical host location for the Secretariat shall designate a host institution situated in Brazil, China, or within the territory of the European Union, taking into account considerations of operational capacity, accessibility, and institutional support.

30) This governance framework may be reviewed and updated by decision of the High-Level Meetings to ensure continued relevance, effectiveness, and alignment with the evolving needs and priorities of the Coalition. The Secretariat may support such reviews by compiling lessons learned, recommendations, and proposals for improvement based on input from Members, Working Groups, and partners.

6. Chairmanship

31) The Coalition will have one Chair and two Co-Chairs, who together provide political and procedural leadership across all meetings of the High-level Meetings and the executive meetings.

32) The Coalition members will select the Chairs for a period of two years, with the possibility of renewal. For the initial two-year period, Brazil will serve as Chair, with China and the EU serving as Co-Chairs. They could be renewed in those roles with rotation between Chairs and Co-Chairs for the next periods, unless Coalition Members propose and agree on other Chair or Co-Chairs.

33) The Chair and Co-Chairs ensure that the governance processes of the Coalition are transparent and efficient, upholding the mandates established by the High-Level Meetings and supporting the implementation of the annual work plan through the executive meetings.

7. Meetings

34) The Coalition will convene regular annual High-Level Meetings and Executive Meetings, with additional sessions scheduled as needed to support decision-making and implementation of the annual Work Plan. During the transitional phase, meetings may occur more frequently to establish operational arrangements, procedures, and work planning for the Coalition.

8. Funding

35) Activities of the Coalition will be supported through financial or in-kind contributions provided voluntarily by Members or other institutions. The Secretariat will work to secure long-term funding, including pursuing supplementary financing opportunities to maintain operational capacity and technical delivery in accordance with the Coalition's mandate.

36) All financial arrangements shall be administered in accordance with the Coalition's financial management procedures and reported periodically to the High-Level Meetings to ensure transparency and accountability.



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Kurt Vanden Berghe

7 May 2026

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A handwritten signature in black ink, appearing to be 'M. L. A.', with a long horizontal line extending to the right.

07th May 2026