



Closing the Trust Gap to De-Risk Climate Investments

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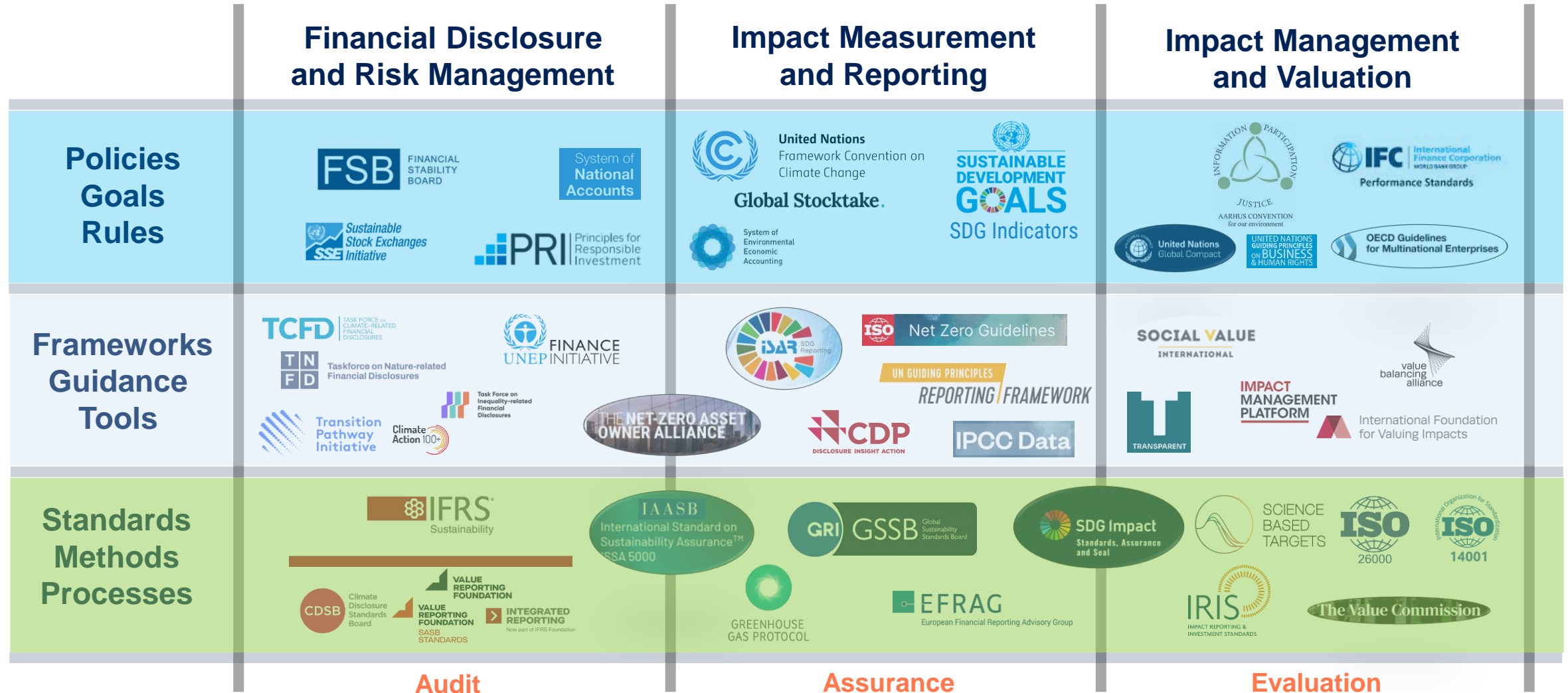
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**Add value.
Inspire trust.**

Current Landscape of Policies, Frameworks & Standards






Mapping out audit, assurance and evaluation methods



Building Integrity through Policies, Frameworks & Standards



	Target Users	Integrity Factors	Topics <i>Non-exhaustive</i>	Support Resources <i>Non-exhaustive</i>
 <p>IFC International Finance Corporation WORLD BANK GROUP</p> <p><i>IFC Performance Standards on Environmental and Social Sustainability</i></p>	<ul style="list-style-type: none"> Investment Clients 	<ul style="list-style-type: none"> Guidance on how to identify risks and impacts Support in avoiding, mitigating and managing risks and impacts in business sustainably 	<ul style="list-style-type: none"> Environmental and Social Risks Labor and Working Conditions Resource Efficiency and Pollution Prevention Community Health, Safety, and Security Land Acquisition and Involuntary Resettlement Biodiversity Indigenous Peoples Cultural Heritage 	<ul style="list-style-type: none"> Supplementary Guidance Documents Overall Sustainability Framework
 <p>United Nations Framework Convention on Climate Change</p> <p><i>UNFCCC Reporting Requirements and Enhanced Transparency Framework</i></p>	<ul style="list-style-type: none"> Developed Countries Developing Countries 	<ul style="list-style-type: none"> Requiring parties to report national GHG emissions Builds system of measurement, reporting and verification Alignment with developing countries priorities and needs 	<ul style="list-style-type: none"> Greenhouse Gas Emissions Progress Tracking Impacts and Adaptation Financial and Technical Support Market-Based Mechanisms 	<ul style="list-style-type: none"> Supplementary Guidance Documents Training and Educational Programs Coordination Platforms
 <p>CDP DISCLOSURE INSIGHT ACTION</p> <p><i>CDP Independent Disclosure System</i></p>	<ul style="list-style-type: none"> Companies 	<ul style="list-style-type: none"> Establishing voluntary framework to disclose environmental information annually Providing benchmarking system for investors to assess climate risks and opportunities 	<ul style="list-style-type: none"> Climate Change Water Security Forests 	<ul style="list-style-type: none"> Supplementary Guidance Documents Training Programs Sector-specific Guidance

Current Barriers in the Industrial Decarbonization

Impacting stakeholders and economies



1 Stakeholders face challenges due to lack of data and inaccessibility to resources

Stakeholder	Barriers + Gaps
Investors + Buyers	<ul style="list-style-type: none"> Perceived risks due to lack of data and market uncertainty Lack of evidence for carbon credit integrity Carbon market technical terminology hinders understanding Missing confidence in regulatory frameworks
Project Developers + Sellers	<ul style="list-style-type: none"> Methodology to demonstrate integrity of carbon credit to targeted stakeholders Financial terminology creates barriers in understanding and accessing financial tools Lack of clarity in regulation and standards
Validation + Verification Bodies	<ul style="list-style-type: none"> Limited collaboration pathways to share deep technical expertise with relation to standards and regulations Lack of publicly accessible data to validate and verify Lack of knowledge to bridge financial institutions and project developers' language and efforts

2 Current sustainability reporting standards focus on G20 country needs and capabilities

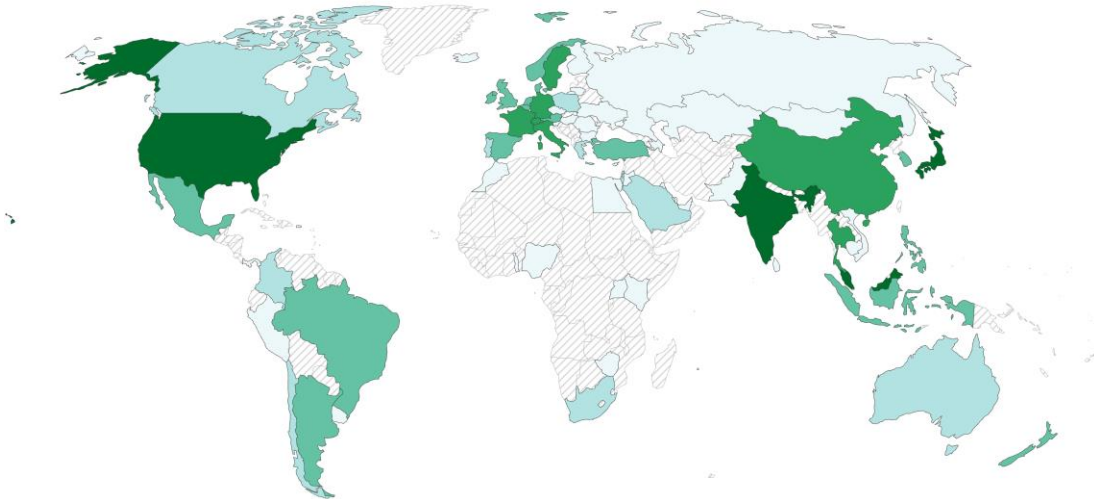


Often not fully aligned with EMDEs needs and missing the significant opportunity of these rapidly growing nations and economies

Number of companies publishing sustainability reports that meet the minimum reporting requirements, 2022



To meet the minimum requirements a company must have published information on a set of key disclosure elements covering the company's governance practices as well as economic, social and environment impacts.



Developing an Accessible System for Integrity

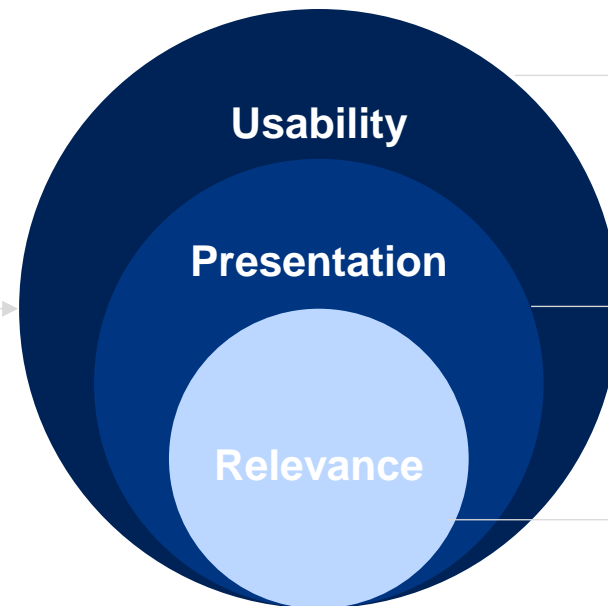
Prioritising the user experience



1 Objective

To develop new and redesign existing standards and frameworks that are useful for stakeholder decision making, especially in emerging and developing economies

2 User design principles



3 Criteria for design

- Effectiveness
- Efficiency
- Satisfaction

- Faithfulness
- Completeness
- Neutrality, free from material error and bias

- Significance
- Informativeness: predictive and/or confirmatory
- Reasonableness

Interoperability & Standards Alignment: Harmonize with Article 6, ICVCM, and VCMI to reduce fragmentation and double counting

Case Study: Focusing on User Experience in Green Financing



Regional Needs

Southeast Asia has a quickly growing economy at unprecedented rates plus was impacted significantly after COVID-19. With the growth, pollution, depletion of resources and climate change impacts grew rapidly as well. \$210 billion annually is required for climate resilient infrastructure between 2016 and 2030. To encourage economic growth but curb the impacts of a growing economy and climate change, there needed to be an innovative technical and financial solution.

Initiative

- The Asian Development Bank established the Southeast Asia Green Finance Hub to bridge the gaps between financial institutions and project developers focused on the needs of their member countries
- Leverage every \$1 of sovereign finance to gain \$5-\$6 of green and sustainable capital into local projects and innovations
- Identifies regional projects and proposes financing mechanisms

Key Pillars

Project Development

Support in developing project concepts and innovative finance solutions for ADB proposal

Capacity Building

Promote thought leadership and capacity-building work on green and innovative finance

Climate Advisory

Onboard climate and financial experts to the hub for in-house expertise and resources

Collaborative Partnerships

Create channels for cross-sector and global development partnerships

Green Funds Management

Manage a regional green fund to align financial tools with local needs and accelerate financial infrastructure

Achievements

- \$1.9 billion achieved in cofinancing commitments in 4 years
- Southeast Asia's first sovereign sustainability bond granted in Thailand for over \$1 billion
- First green recovery fund (\$150 million) in the region for Indonesia's Climate Goals and initiatives aligned with Sustainable Development Goals; through catalytic financial mechanisms potential to unlock 8 times the funding

Conclusion Thoughts

The gaps in the carbon market ecosystem should be addressed by **prioritizing usability in standard, policy and framework design phases**

Prioritizing the users during the design phase:

- **Avoids hurdles** further down the timeline (e.g. the EU Omnibus rollbacks)
- Ensures critical stakeholders (such as EMDEs) in the green transition are **included and leading the transition**

Digitalization builds trust in carbon markets through transparent data, real-time tracking, and user-friendly access



Thank you

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