

Comments in Response to the Integrated Forum on Climate Change and Trade's Call for Stakeholder Inputs

Submitted by: Climate Leadership Council

Introduction and Summary

The Climate Leadership Council (CLC) is a nonprofit think tank based in Washington, DC, dedicated to developing and promoting market-based policies that advance U.S. competitiveness, security, and economic opportunity as the central strategy for lowering global emissions. We produce trusted research and analysis to assess the environmental impact of policy ideas, partner with stakeholders across industry, advocacy, labor, and policy, and empower lawmakers, the private sector, and the broader policy community through educational activities.

These comments focus on approaches that governments can pursue to promote interoperability of climate and trade policies. We see emerging promise both in vertical interoperability—the adoption of standards established through international initiatives—and horizontal interoperability—the organic alignment of individual markets' policy choices. These pathways seem most compatible with promoting interoperability among emissions data and monitoring, reporting, and verification (MRV) systems, though there are emerging avenues for interoperability in policy design as well.

Based on our observations of how policies are evolving, we have the following recommendations:

- National regulations should, where possible, integrate voluntary international frameworks developed through multi-stakeholder initiatives.
- Governments can improve interoperability between different national carbon accounting and MRV systems by harmonizing core elements.
- Governments should pursue mutual recognition of verification and accreditation bodies to reduce compliance costs.
- Governments should develop formal consultation mechanisms to identify additional opportunities for aligning carbon accounting and MRV policies.
- Governments should explore adapting ledger-based emissions accounting to align emissions disclosure across different national product-level carbon accounting and MRV systems.

The Growth of Emissions Intensity-Based Policies and the Need for Interoperability

There is an accelerating global movement toward policies that distinguish between products based on their emissions intensity. Most major economies already have or are

developing carbon pricing policies,¹ and these policies are being extended to apply to internationally traded products. The European Union's (EU's) carbon border adjustment mechanism (CBAM) is already in effect, and similar measures are being implemented or considered in nearly a dozen other countries.²

The speed of policy proliferation has expanded the prospect that individual countries could develop conflicting standards that would increase trade frictions and compliance costs for manufacturers and undermine climate goals. Differences in legal processes and priorities among countries make complete harmonization of regulatory standards exceedingly uncommon.³ Accordingly, there has been growing recognition of the need for a more flexible approach to policy alignment: interoperability. Interoperability can be defined as the ability of different policies to

- a. operate concurrently and with overlapping coverage (e.g., applicable to the same products or producers),
- b. with as much alignment as possible,
- c. but with flexibility for unavoidable variations, and
- d. with maximum transparency about how they relate to one another.

Interoperability of emissions accounting and reporting standards can be pursued vertically or horizontally.⁴ Vertical interoperability occurs when national authorities base their policies on standards developed through international initiatives. Horizontal interoperability occurs when governments directly align regulatory policies without reference to international standards. Both approaches are reflected in early decisions by governments adopting climate and trade policies.

Vertical Interoperability

The Oil and Gas Methane Partnership 2.0 (OGMP 2.0) of the United Nations Environment Programme⁵ is a voluntary initiative that is advancing interoperability of company and country approaches to monitoring and reporting the methane intensities of the oil and gas sectors. The membership of the OGMP 2.0 includes more than 150 companies, accounting for almost half of the world's oil and gas production and more

¹ World Bank, *State and Trends of Carbon Pricing 2026* (2026), 24, fig. 7, <https://www.worldbank.org/en/publication/state-and-trends-of-carbon-pricing>.

² Global Climate Policy Project Working Group on Climate Coalitions, *Putting Climate Coalitions into Practice: A Common Framework for Balancing Competitiveness and Equity* (Global Climate Policy Project at Harvard and MIT, September 2026), 4, Table 1, <https://salatainstitute.harvard.edu/putting-climate-coalitions-into-practice-gcpp-report/>.

³ Climate Leadership Council, *An Approach to Interoperability of U.S. and EU Systems for Determining GHG Emissions Intensity of Steel* (2024), <https://clccouncil.org/publications/research/interoperability-carbon-accounting/>.

⁴ Climate Leadership Council, *Approach to Interoperability*.

⁵ Oil and Gas Methane Partnership 2.0, <https://www.ogmpartnership.org/>.

than 80% of LNG flows.⁶ A number of countries have used OGMP 2.0 as the basis for developing domestic policies.⁷ The European Union has been particularly aggressive in incorporating the OGMP into its Methane Regulation,⁸ requiring that imported oil and gas be produced subject to MRV standards at OGMP 2.0 level 5.⁹ The model here—international alignment by private sector partners around a relevant standard that is subsequently adopted into law—is a replicable process to promote vertical interoperability across climate and trade policies.

The Open Coalition on Compliance Carbon Markets (OCCCM) is an example of countries leading a vertical approach to interoperability. The OCCCM, co-chaired by the EU, China, and Brazil, is an initiative of countries focused on “promoting interoperability between national carbon markets and their methodologies.”¹⁰ Its membership accounts for 42% of global emissions and \$49 trillion of GDP. The OCCCM’s recently released workplan for 2026-2027 indicates that collaboration on interoperability of carbon accounting and MRV systems will be a priority.¹¹ Given the scale of the economies involved, including both major importers (the EU) and exporters (China) of emissions-intensive goods, the OCCCM could be an important venue for actively aligning MRV standards, accounting approaches, and carbon markets across international borders.

Horizontal Interoperability

Even without agreement on international standards for product-level carbon accounting, significant convergence is occurring on a state-to-state basis as countries adopt similar approaches to one another. This phenomenon is happening organically as the EU CBAM shapes other countries’ CBAMs and domestic policies to support compliance. For example, the UK’s approach to determining the emissions intensity of covered goods largely mirrors that of the EU, with some exceptions.¹² Other countries,

⁶ Oil and Gas Methane Partnership 2.0, “Membership,” <https://www.ogmpartnership.org/our-member-companies>. The OGMP 2.0 also has several noncompany members: the World Bank, the European Commission, the United Nations Environment Programme, the Clean Air Task Force, and the Environmental Defense Fund.

⁷ United Nations Environment Programme, *A Blueprint for MRV: How Countries Can Build OGMP 2.0-Aligned Reporting into MRV Methane Regulations* (December 30, 2025), <https://www.unep.org/resources/report/blueprint-mrv-how-countries-can-build-ogmp-20-aligned-reporting-mrv-methane>.

⁸ Regulation (EU) 2024/1787 of the European Parliament and of the Council of 13 June 2024 on the reduction of methane emissions in the energy sector and amending Regulation (EU) 2019/942 (hereafter cited as Methane Regulation), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401787.

⁹ Methane Regulation, arts. 28(1) and 28(5).

¹⁰ Open Coalition on Compliance Carbon Markets, <https://occcm.org/>.

¹¹ Open Coalition on Compliance Carbon Markets, “Workstream 3: MRV, Carbon Accounting and Interoperability Readiness,” in *OCCCM Workplan* (August 26, 2026), 5, <https://occcm.org/milestones-and-events/>.

¹² HM Treasury, “Factsheet: Carbon Border Adjustment Mechanism,” November 28, 2025, <https://www.gov.uk/government/publications/factsheet-carbon-border-adjustment-mechanism-cbam/factsheet-carbon-border-adjustment-mechanism>.

particularly the major East Asian manufacturing economies, are adopting approaches to support compliance with EU CBAM data disclosure requirements and maintain access to the European market. China is making significant investments in the capacity of manufacturers to determine product-level emissions intensity, including through 30 provincial-level carbon accounting initiatives.¹³ Japan has issued emissions intensity calculation guidelines for some CBAM-covered products.¹⁴ The Taiwanese Ministry of Environment and Ministry of Economic Affairs launched an International CBAM Service Platform to support industries covered by the CBAM.¹⁵ The South Korean government is providing assistance to domestic manufacturers in calculating, reporting, and verifying the embedded emissions of products exported to the EU.¹⁶ Korea has also created the International Cooperation Bureau, a new agency tasked with addressing the CBAM and other international environmental regulations.¹⁷

Even when emissions intensity calculation methodologies are not designed for alignment with other national standards, there are nonetheless significant opportunities for interoperability. The Council recommends consideration of four tools for international regulatory cooperation: limited harmonization, mutual recognition, consultation mechanisms, and ledger-based accounting.

Limited Harmonization

Evolving policies are all being constructed with a shared understanding of the promise and limits of existing approaches to MRV. This provides the greatest opportunity for harmonizing fundamental elements while accommodating variations in policy choices. Shared units of measurement (e.g., tonnes of carbon dioxide equivalent, tCO₂e), clear disclosure of covered gases, agreed-upon descriptions for the taxonomy of covered emissions (e.g., “direct” vs. “scope 1” emissions), system boundaries (e.g., steps in the production process that require MRV), and reporting templates (e.g., the format by which emissions information is transmitted) can increase transparency regarding the relative coverage of different approaches and

¹³ Ilaria Mazzocco and Ray Cai, “The New Carbon Order: China’s Response to Europe’s CBAM,” Center for Strategic and International Studies, June 15, 2026, <https://www.csis.org/analysis/new-carbon-order-chinas-response-europes-cbam>.

¹⁴ International Emissions Trading Association, *Evolution of Global Response to EU CBAM* (June 2025), 16, <https://www.ieta.org/news/ieta-launches-report-on-the-evolution-of-global-response-to-cbam>.

¹⁵ Esme Yeh and Wu Po-hsuan, “Online Platform Service Launched to Provide Support on EU Carbon Tariffs,” *Taipei Times*, April 4, 2026, <https://www.taipeitimes.com/News/taiwan/archives/2026/04/04/200385501>.

¹⁶ Kim Dong-kyu, “Korean Government Launches 15 Support Programs to Help Enterprises Comply with EU’s CBAM,” *Investment News*, February 20, 2026, https://ombudsman.kotra.or.kr/ik-en/bbs/i-5073/detail.do?ntt_sn=493232.

¹⁷ Jung Da-hyun, “Gov’t to Create Bureau to Handle Global Environmental Regulations,” *Korea Times*, February 6, 2025, <https://www.koreatimes.co.kr/southkorea/society/20250206/korea-to-establish-new-bureau-for-global-environmental-regulations>.

minimize the costs to industry of satisfying different requirements in different markets.

The Council compared the EU's methodology for determining the emissions intensity of steel with the approach used by the United States International Trade Commission and found substantial compatibility across these elements.¹⁸

Mutual Recognition

Mutual recognition of verification and accreditation bodies would reduce compliance costs. Mutual recognition—agreement between countries to recognize elements of each other's regulatory regimes as legally adequate—is frequently used to ensure that products produced in one country comply with the standards of another.¹⁹

Mutual recognition can accomplish two things. First, individual countries maintain control over policy substance and priorities in developing emissions intensity standards and data requirements. Second, manufacturers can comply with diverse country policies at lower cost by using a single firm to verify emissions intensity data for all countries they export their products to.²⁰

Structured Consultation

Formal, structured consultation mechanisms between countries could be used for information sharing and to identify opportunities for further alignment.²¹ Potential models include the Western Climate Initiative, Inc. (WCI), which links subnational emissions trading programs in the U.S. and Canada, and the Joint Committee that facilitates the relationship between Switzerland's and the EU's emissions trading systems. Both bodies assist participants in aligning their emissions measurement and reporting policies without displacing those jurisdictions' control over those policies.²²

¹⁸ Climate Leadership Council, *Approach to Interoperability*.

¹⁹ Climate Leadership Council, *Approach to Interoperability*, 8. See also A. Correia de Brito, C. Kauffmann, and J. Pelkmans, *The Contribution of Mutual Recognition to International Regulatory Cooperation*, OECD Regulatory Policy Working Papers, no. 2 (OECD Publishing, 2016), https://www.oecd.org/regreform/WP2_Contribution-of-mutual-recognition-to-IRC.pdf.

²⁰ Correia de Brito, Kauffmann, and Pelkmans, *Contribution of Mutual Recognition*, 10: Although the principle of mutual recognition is employed with [mutual recognition agreements], it is strictly confined to the recognition of technical competence of designated foreign bodies, in the exporting country, in specific product markets, to perform conformity assessment for products to the rules and procedures of the importing country. The latter country neither gives up nor adapts any safety, health, environment and consumer protection objectives, nor does it have to change any existing procedure for conformity assessment.

²¹ Correia de Brito, Kauffmann, and Pelkmans, *Contribution of Mutual Recognition*.

²² "Purpose," Western Climate Initiative, Inc., accessed February 9, 2024, <https://wci-inc.org/our-work/purpose>.

Ledger-Based Accounting

A final emerging concept is the application of ledger-based accounting to emissions disclosure. Ledger-based accounting imports the benefits of rigorous financial accounting—accuracy, comparability and verifiability, completeness, transparency—to the emissions measurement and disclosure discipline that has, to date, accommodated considerable discretion in covered gases, system boundaries, and other critical choices. Ledger-based accounting can promote interoperability and improve the accuracy of product-level carbon accounting systems by providing for closer tracking of emissions through the supply chain (e.g., emissions associated with the manufacture of intermediate products and precursors) and standardized reporting.²³ This promising approach deserves greater study to determine how it can function as a policy-agnostic reporting mechanism capable of providing data responsive to the design elements of heterogeneous national policies.

²³ Jia-Shen Tsai, *From Green Goals to Black Ink: Reforming Carbon Accounting for a New Era of Competition* (Niskanen Center, October 15, 2025), 4 (e-ledgers provide "both precision and interoperability [and] offer[] a credible foundation for border adjustments and lays the groundwork for bottom-up, entity-level emissions accounting"), <https://www.niskanencenter.org/reforming-carbon-accounting-for-a-new-era-of-competition/>; Kevin Poloncarz et al., "Carbon Measures Coalition Signals Growing Momentum for Ledger-Based Carbon Accounting," *Inside Energy & Environment*, November 11, 2025 (the EU CBAM "requires importers to report the embedded emissions in covered products. . . . E-ledgers systems are specifically designed to provide this data with greater accuracy than current estimation methods and will become more powerful as border adjustment applies to more complex products over time"), <https://www.insideenergyandenvironment.com/2025/11/carbon-measures-coalition-signals-growing-momentum-for-ledger-based-carbon-accounting>.