

How CDOP and SBTi are redefining global carbon market standards

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APRIL 30, 2025

The maturation of global voluntary carbon markets continues to accelerate, driven by a demand for greater transparency, accountability, and alignment with international climate goals. Two initiatives launched in early 2025 underscore this trend: the creation of the Carbon Data Open Protocol (CDOP), which aims to standardize and harmonize carbon market data, and the Science Based Targets initiative's (SBTi's) draft update to its Corporate Net-Zero Standard, which aims to strengthen net-zero credibility by improving emissions tracking, clarifying carbon credit use, and prioritizing emissions reductions.

Together, these developments reflect a convergence of voluntary and regulatory approaches to climate governance, with wide-ranging implications for international corporations and investment professionals such as increased disclosure obligations, heightened scrutiny of carbon credit quality, and evolving standards for ESG due diligence and risk management.

As expectations for corporate climate integrity intensify, this article explores how CDOP and the SBTi update are reshaping market norms, raising legal and reputational risks, and advancing the push toward consistent, auditable, science-based decarbonization strategies.

CDOP: legal and strategic implications

In March 2025, a coalition of 30 organizations, including Sylvera, RMI, and S&P Global Commodity Insights, launched the Carbon Data Open Protocol (<https://bit.ly/3RPwkWV>). The initiative aims to standardize the data used to evaluate carbon credits and emissions reduction projects, addressing persistent concerns over market fragmentation and data opacity.

The CDOP sets out to standardize definitions and taxonomies used across carbon markets, enable interoperability between disparate data registries and platforms, enhance comparability of carbon credits and project quality, and align with Article 6 of the Paris Agreement, which governs international carbon trading mechanisms.

Implementation guidance is expected by the end of 2025, positioning the CDOP as a positive step toward improving the technical underpinnings of a more transparent and trustworthy

carbon marketplace. Its impact could be far-reaching for entities active in carbon credit transactions, including regulated companies, investment funds, and project developers.

As standards coalesce, several legal and strategic considerations are emerging. Enhanced transparency will raise the risk of exposure for low-quality or misleading carbon credit claims. Legal teams must be prepared to assess the reliability of underlying data and ensure consistency in climate-related disclosures.

Where corporate net-zero strategies were once largely aspirational, they are now being tested against measurable standards, sophisticated data protocols, and rising demands from regulators, investors, and stakeholders.

Investors and buyers of carbon credits will also need to implement more robust due diligence protocols. With CDOP-aligned systems enabling easier audit of credit quality, the likelihood of legal challenges — ranging from fraud and misrepresentation to greenwashing — will increase. Legal frameworks should be updated in anticipation of these risks.

Contractual terms related to data access and rights will also require closer attention. As interoperability becomes more common across carbon credit platforms, agreements must clearly define responsibilities and liabilities for data sharing, third-party validation, and potential verification errors.

Finally, the CDOP's alignment with Article 6 of the Paris Agreement may create a de facto compliance benchmark for participants in voluntary carbon markets. For multinational corporations operating under multiple regulatory regimes, this alignment could influence strategic decisions around participation, investment, and risk management.

SBTi Net-Zero Standard 2.0: Operational and legal challenges

On the same day as the CDOP launch, the SBTi released a draft Version 2.0 of its Corporate Net-Zero Standard (<https://bit.ly/44D6qwR>), opening a public comment period through June 1, 2025. Widely regarded as the benchmark for validating science-based corporate climate targets, the SBTi framework helps organizations set decarbonization goals aligned with limiting global temperature rise to 1.5°C.

The updated draft reflects a shift from ambition to execution, with new emphasis on separate target-setting for Scope 1 and Scope 2 emissions, tailored guidance based on company size and geographic footprint, annual tracking of progress against targets, and clarification on carbon credit use, with strict limits and conditions.

As disclosure obligations tighten and scrutiny over greenwashing intensifies, legal and compliance teams must ensure that climate risk is embedded across business operations.

The inclusion of carbon credits marks a key shift in the SBTi's guidance, which had previously discouraged their use in meeting near-term targets. In Version 2.0, offsets are permitted only for residual emissions after a company has made deep operational cuts, underscoring a "reduction first" approach.

For companies pursuing or maintaining net-zero commitments, the draft SBTi standard presents both operational and legal challenges. As investors and regulators increasingly align around frameworks like SBTi, companies will be expected to disclose verifiable data demonstrating progress toward their climate goals. Legal teams should proactively review climate-related statements to ensure alignment with SBTi assumptions and avoid inconsistencies that could trigger scrutiny.

The updated clarity around carbon credit usage also heightens reputational risk. Companies relying on offsets must ensure that they are high quality and used appropriately. Excessive dependence on questionable credits could undermine stakeholder trust and invite legal challenges related to greenwashing.

Further, alignment with emerging protocols such as CDOP will be important for maintaining market credibility. Ensuring that emissions data and carbon credit purchases meet these evolving standards can help mitigate legal exposure and reinforce leadership in transparent climate reporting.

Finally, implementing robust net-zero strategies may require updates to governance structures and contractual frameworks. This could include revising supplier agreements to reflect emissions obligations, enhancing board-level ESG oversight, and embedding climate accountability into corporate governance models.

A new era of carbon transparency and accountability

Taken together, the creation of the CDOP and release of the SBTi draft represent a broader shift in the climate governance landscape: the convergence of voluntary and compliance-driven approaches and a clear push toward greater transparency and accountability in global carbon markets. Where corporate net-zero strategies were once largely aspirational, they are now being tested against measurable standards, sophisticated data protocols, and rising demands from regulators, investors, and stakeholders.

One emerging theme is that verification is becoming the new differentiator. Both the CDOP and the updated SBTi standard emphasize the importance of third-party validation, standardized methodologies, and traceable data. For businesses, vague or loosely monitored climate claims will no longer suffice. Investors are likely to reward companies that credibly demonstrate progress through verified disclosures while penalizing those that rely on unsubstantiated or inconsistent data.

This shift also highlights how climate strategy is now inextricably linked to legal strategy. As disclosure obligations tighten and scrutiny over greenwashing intensifies, legal and compliance teams must ensure that climate risk is embedded across business operations. This includes updating contracts, conducting ESG-focused due diligence, and enhancing internal compliance systems. For companies, this integration is not only essential for mitigating legal exposure but also maintaining investor confidence.

Finally, these new initiatives make clear that the global voluntary carbon marketplace must professionalize. CDOP's alignment with Article 6 signals that voluntary markets are moving toward the rigor of compliance regimes. Entities that fail to align with emerging data standards, verification protocols, and legal expectations risk being excluded from high-integrity transactions. For investors and businesses alike, this professionalization represents both a risk and an opportunity. Those that adapt quickly can build trust and unlock capital, while those that lag behind may find themselves locked out of a maturing market.

Climate accountability has arrived

For businesses and legal advisors alike, these two developments signal an end to the "soft standards" era of corporate climate action. The launch of CDOP will improve

comparability and confidence in carbon markets, while SBTi's revised standard will demand credible emissions pathways rooted in science and data. The result is a more structured and enforceable climate compliance environment, where risk and

opportunity are increasingly shaped by a company's ability to measure, manage, and verify its emissions strategy.

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About the author



Levi McAllister, a partner at **Morgan Lewis**, is head of its electric vehicles (EV) working group, energy decarbonization working group, and energy commodity trading and compliance working group, and helps energy companies navigate the regulatory and investment environment for both conventional and emerging energy technologies. He guides clients seeking to reduce their carbon footprints and take advantage of new and evolving energy storage and infrastructure assets, while also advising on energy commodity trading and the deployment of EVs and EV infrastructure in U.S. markets. He is resident in the Washington, D.C., office and can be reached at levi.mcallister@morganlewis.com.

This article was first published on Reuters Legal News and Westlaw Today on April 30, 2025.