



◆◆ By Lumbani Mwafulirwa, Ministry of Justice of Malawi,  
Olivia Tattarletti and Mara Wendebourg, LRI

The global effort to address climate change rests on international cooperation and ambitious action. According to the Paris Agreement (**PA**), countries must submit Nationally Determined Contributions (**NDCs**), which detail the mitigation measures that a country is contributing towards the global climate goal and intends to achieve. Achieving NDC targets requires substantial financial resources, technology and capacity, and international cooperation.

Article 6 of the PA contributes to the realisation of these targets. It offers countries the possibility to voluntarily cooperate to implement their NDCs and promote sustainable development. It aims to facilitate cross-border partnerships and resource-sharing to help countries amplify their climate ambitions. It also allows for involvement of non-state actors (e.g. private sector, NGOs) in both the host and the acquiring country in mitigation activities, with non-state actors having to be authorised by either host or acquiring country to engage. The non-state actors must, however, be authorized by countries to engage in Article 6 cooperation.

Article 6 provides for three different ways to enable such cooperation: two market-based and one non-market based. This explainer provides an understanding of the two market-based instruments, the main challenges and criticisms raised, and next steps. A separate explainer focuses on the framework for non-market approaches under Article 6.8 of the PA.

## ARTICLE 6.2 – INTERNATIONALLY TRANSFERRED MITIGATION OUTCOMES (ITMOs)

Article 6.2 enables countries to take part in “cooperative approaches” to meet their NDCs through the transfer of internationally transferred mitigation outcomes (**ITMOs**), which include emission reductions and removals (**ERRs**). In this approach, Parties have the flexibility on designing cooperative approaches, where they can decide on standards and methodologies, sectors. Article 6 facilitates cooperation in NDC implementation while enhancing their ambition, as Parties can sell their excess to other Parties in the form of ERRs. The detailed rules on implementation Guidance on cooperative approaches was adopted through Decisions [2/CMA.3](#), [6/CMA.4](#) and [4/CMA.6](#).

### What are ITMOs?



**ITMOs** represent emission reductions or removals, including mitigation co-benefits from adaptation actions or from economic diversification plans, provided they are authorized for international transfer and use. According to [Decision 2/CMA.3](#), Annex, para. 1, these units must be:

1. **Real**: Actual reductions/removals in GHG emissions that have occurred;
2. **Verified**: Confirmed by a reliable third party process to ensure accuracy;
3. **Additional**: Beyond what would have occurred without the activity generating the ITMOs, meaning they contribute extra reductions;

4. **Measured in either**: Carbon dioxide equivalent (CO<sub>2</sub>e) or other metrics agreed by participating Parties that are consistent with their NDCs;
5. Generated in respect of / representing mitigation from **2021 onwards**
6. Resulting from a **cooperative approach in which at least one Party to the Paris Agreement participates**<sup>[1]</sup>
7. **Authorised** by the **participating Parties**

*[1] Alternatively, ITMOs can also relate to issued Article 6.4 emission reductions (reductions or removals under Article 6.4) where these are authorised and internationally transferred (see further in the next section of this explainer).*

### What are ITMOs authorised for?

Article 6.3 of the Paris Agreement provides that **ITMOs** to achieve NDCs shall be voluntary and authorised by participating Parties.

- Achieving participating Parties’ NDCs (Article 6.3, Paris Agreement; Para 4 (c) of the Annex of Decision 2/CMA.3): for example, Country/non-state actor X funds a renewable project in Country Y whereby the emission reductions from this project in Country Y will (fully or partially, as agreed) accrue to Country X. This helps countries meet their climate goals.
- Other international mitigation purposes (**OIMP**):
  - International Mitigation Schemes such as the Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**), which aims to reduce aviation emissions globally.

- Other Authorised Purposes: e.g. voluntary carbon markets (**VCMs**). [2]

Each of these authorisations for the use of ITMOs triggers the need for application of a corresponding adjustment. Guidance on the content and format of authorisations of ITMOs was given in [Decision 4/CMA.6](#).

[2] VCM is a decentralised market where individuals, businesses, and organisations voluntarily buy and sell carbon credits to offset their GHG emissions. The VCM is driven by voluntary commitments, such as corporate social responsibility initiatives or sustainability goals, rather than government regulations. See also [this](#).

According to decisions 2/CMA.3 and 3/CMA.3, authorisation is applied to at least three elements:

- **Cooperative approach:** it can be between (i) Party and Party; (ii) Party and Non-Party; or (iii) multilateral cooperation with participating Parties. Parties need to authorise the cooperative approach and have domestic arrangements to authorise the use of ITMOs towards the achievement of NDCs or OIMP.
- **ITMOs:** towards the achievement of an NDC or towards other international mitigation purposes (**OIMP**). This requires a mitigation outcome purchase agreement (**MOPA**), in which a buyer purchases an ITMO from an acquiring country. This requires the commitment by the first transferring Party to apply corresponding adjustments. For examples of ITMO agreements currently in place see [here](#).
- **Entities participating in a cooperative approach** under Article 6.2 or Article 6.4 activity, which requires reporting under Article 6. Decision 2/CMA.3, annex, para. 18(a) provides for the inclusion of reporting on authorisation arrangements in the Article 6.2 initial report.

## Corresponding Adjustments

Corresponding adjustment is an accounting principle to prevent double-counting of the same emission reduction or removals, ensuring that emission reductions or removals are counted only once, either by the acquiring and transferring countries; or acquiring and host country. For example, if Country X transfers ITMOs to Country Y, Country X must add the corresponding emissions (i.e. those emissions that have been reduced or removed through the cooperative approach) to its emissions balance, and Country Y can then deduct those emissions from its emissions balance.

In other words, a host country foregoes the right to count the underlying ERRs in their NDC achievement while the receiving country counts the adjustment towards its NDC achievement. Even where ITMOs are not used for the NDC of another country (e.g. if used for CORSIA or voluntary commitment), authorised ITMOs backed by corresponding adjustment cannot be counted towards the acquiring country's NDC achievement.

The corresponding adjustment is applied when the ITMO is "first transferred". The timing of this first transfer varies according to whether an ITMO is authorised for use towards NDCs or for OIMP. For ITMOs authorised for NDC use, first transfer is the first international transfer of the ITMO. For ITMOs authorised for OIMP, first transfer is defined by the host country as either (1) the authorisation, (2) the issuance or (3) the use or cancellation of the ITMO.

Corresponding adjustment can be applied using different methods depending on whether the participating Party has a single-year NDC (e.g. by 2030) or a multi-year NDC (e.g. for 2021–2030); whether the NDC is measured in tonnes of CO<sub>2</sub>, CO<sub>2</sub>e or contains non-GHG metrics. The method chosen must be included in the Article 6.2 initial report by the participating Party must be consistently applied throughout the NDC implementation period.

In single-year NDC, methods include indicative multi-year emissions trajectory and the averaging methods (Decision 2/CMA.3, annex, para. 7(a)).

## Methodologies for corresponding adjustments

The **indicative multi-year emissions trajectory method** requires providing an indicative multi-year emissions trajectory, trajectories or budget for the NDC implementation period. This must be consistent with the implementation and achievement of the NDC. Corresponding adjustments have to be applied annually for the total amount of ITMOs first transferred and used for each year in the NDC implementation period.

The **averaging method** corresponds to calculating the average annual amount of ITMOs first transferred and used over the NDC implementation period.

For multi-year NDCs, the **multi-year emissions trajectory method** is used, where trajectories or budget for an NDC implementation period are calculated and the corresponding adjustments for the total amount of ITMOs first transferred and used each year and cumulatively at the end of the implementation period, are applied annually (Decision 2/CMA.3, annex, para. 7(b)).

## What must countries do to participate?

- Be a Party to the Paris Agreement
- Have an active NDC
- Have systems for authorising ITMO use, tracking transfers and regular emissions reporting (e.g. regulatory frameworks, institutions, access to a registry)
- Demonstrate contribution to NDC goals

## Tracking and Recording

The infrastructure process of recording and tracking information was initially outlined in [Decision 2/CMA.3](#) (Annex, paras 29–36) and later expanded on in [Decision 6/CMA.4](#) (paras 25–28, para 33, and Annex I) and [Decision 4/CMA.6](#) (paras 49–54).

### Registry

Participating Parties must have (or must have access to) a registry for tracking ITMOs. An (optional) international registry that will function as a tracking system for units is under development by the secretariat. This registry will record ITMO authorisation, first transfer, transfer, acquisition, uses authorised (towards NDCs and/or OIMP) and cancellation. Where a Party has its own registry and connects it to the international registry, it will have to ensure the two are interoperable. Where a Party does not have its own registry, an additional registry service will enable a Party to issue mitigation outcomes as units (this is also under development by the secretariat).

## The Centralised Accounting and Reporting Platform (CARP)

The CARP is an online platform to provide information in relation to cooperative approaches and to support the review process. It incorporates Article 6 database and the international registry. There is currently an [interim version](#). One of its functions is to provide an interface to the public. For an overview of its other key functionalities, see this [technical paper](#) by the secretariat. As part of an integrated with the CARP, the secretariat is to implement an Article 6 database.

The database will record and compile quantitative information on ITMOs submitted by Parties, including the authorization of ITMOs for use towards achievements of NDCs and other international mitigation purposes; and first transfer, transfer, acquisition, holdings, cancellation, voluntary cancellation, voluntary cancellation of mitigation outcomes or ITMOs towards overall mitigation in global emissions, and use towards NDCs. The secretariat will perform consistency checks of the database with the requirements of the Guidance, the outcomes of which are communicated to the Article 6 technical expert review team and made publicly available non-confidential information on the CARP.

### Transparency: reporting requirements

Reporting requirements were initially set out in [Decision 2/CMA.3](#) (Annex, paras. 18–24), and later expanded on in [Decision 6/CMA.4](#) (Annexes V, VI and VII) and [Decision 4/CMA.6](#) (paras 18–27 and Annexes I and II).

In brief, the three main reporting requirements are to submit:

- An **initial report**, no later than when a Party authorises ITMOs. This report must contain comprehensive information, including relating to how a country meets Art. 6.2 participation requirements, registry arrangements, description of the cooperative approach, metrics, and methods for applying corresponding adjustments.
- **Annual information**, in the Agreed Electronic Format (AEF), by no later than 15 April of the year following the calendar year when an “ITMO action(s)” has taken place. Actions include, for instance, authorisation, first transfer, transfer, acquisition, cancellation.
- **Regular information**, as part of an annex to the Biennial Transparency Reports (BTR) by no later than 31 December of the relevant year – to include any update to the information provided in the initial report, information on how corresponding adjustments were undertaken in the latest reporting period, and how any ITMOs that have been used will not further be transferred, used or further cancelled.

## Review Process



Parties’ compliance with the reporting requirements discussed above will be scrutinised, to determine whether Parties adhere to the guidance on cooperative approaches. The guidance on this process is comprised in [Decision 2/CMA.3](#) (Annex, paragraphs 25–28), and later expanded on in [Decision 6/CMA.4](#) (Annexes II and III) and [Decision 4/CMA.6](#) (paragraphs 28–44).

According to the Guidance on cooperative approaches referred to in Article 6.2 (Dec 2/CMA.3), the review is carried out by an “Article 6 technical expert review team” (TERT) with the assistance of the secretariat.

The [TERT reviews](#) the consistency between the reporting of all Parties participating in a cooperative approach through a desk or centralised review and considers the results of the automated consistency checks performed by the secretariat using the Article 6 database.

Following review and consideration, the TERT prepares a report that includes:

- Recommendations to improve the consistency of the reporting;
- How a Party should respond to those recommendations; and
- Implications in case of non-responsiveness ([Decision 6/CMA.4, annex II](#) paras. 2, 5, 6–7).

Parties have to cooperate with the TERT and the secretariat for the review and make reasonable efforts to resolve any inconsistencies. Parties are also requested not to use ITMOs that are identified as inconsistent in the consistency check.

The TERT’s reports will be publicly available on the CARP and considered by the technical expert review of the Enhanced Transparency Framework under Article 13. In cases where the TERT identifies an inconsistency that is significant and/or persistent, the lead reviewer of the TERT and the Paris Agreement Implementation and Compliance Committee are encouraged to liaise about it.

## ARTICLE 6.4 MECHANISM

Article 6.4 establishes a global carbon market mechanism, also known as the Paris Agreement Crediting Mechanism (PACM). Further, Article 6.4 creates a centralised mechanism that is overseen by the Article 6.4 Supervisory Body (SBM). Unlike 6.2, activities are implemented according to methodologies approved by SBM. The PACM mechanism is set to replace the Kyoto Protocol’s Clean Development Mechanism (CDM) and Joint Implementation.

The rules, modalities and procedures (RMPs) for the PACM are contained in the Annex to [Decision 3/CMA.3](#) and are supplemented by guidance contained in [Decision 7/CMA.4](#), [Decision 5/CMA.6](#), and [Decision 6/CMA.6](#).

### What must countries do to participate?

Participation requirements are provided for in [Decision 3/CMA.3](#). To participate in Article 6.4 mechanism, a host Party must:

- Be Party to the Paris Agreement;
- Have prepared, communicated and is maintaining an NDC;
- Have designated a Designated National Authority (DNA), and communicated it to the secretariat and Article 6.4 Supervisory Body (SBM);
- Indicate to the SBM how its participation in the mechanism contributes to sustainable development;
- Indicate to the SBM the types of Article 6.4 activity it would consider approving and how these would contribute to the achievement of its NDC.

## Units issued by PACM

The PACM is operational, following the adoption of standards and methodologies for carbon crediting projects, along with a registry system managed by the SBM. Yet, most methodologies are yet to be adopted. This registry system will allow for Article 6.4 activities to be registered, credits issued, and ownership of credits recorded.

Credits under the PACM are known as Article 6.4 emission reductions (**A6.4ERs**). They are generated through activities that reduce emissions or enhance CO<sub>2</sub> removals, are additional, such as renewable energy initiatives or reforestation programmes, and can be bought by countries, companies and individuals. There are specific rules and requirements for units and activities from the CDM to transition to the PACM. Please see the LRI [advice](#) on operationalisation of the PACM. When authorised, A6.4ER becomes an ITMO.

There are two categories of A6.4ERs:

- 1. Authorised A6.4ERs (AERs)**, which:
  - o Must receive formal host country authorisation (see Art 6.2 above)
  - o Must undergo corresponding adjustments (see Art 6.2 above)
  - o Will become ITMOs at first transfer and therefore require rigorous tracking through a the PACM registry with unique identifiers
- 2. Mitigation Contribution A6.4ERs (MCUs)**, which:
  - o Remain within host country's jurisdiction
  - o Support domestic climate finance such as carbon pricing measures
  - o Do not require corresponding adjustments
  - o Cannot be used for international NDC achievement

## Operational Structure

The SBM oversees the PACM's operation under the guidance and authority of the Parties to the PA. It is mandated by the CMA to develop the necessary standards, procedures, and guidelines for implementing mitigation activities that can generate A6.4ERs (Decision 3/CMA.3 para 5). In order for the PACM to issue A6.4ERs from an activity, the activity must go through the "activity cycle". This cycle is briefly explained below.

### Activity cycle



An activity can be a standalone project, or a programme of activities made of several component projects. For a visual interpretation of this activity cycle, see the diagram on the last page of this explainer.

#### 1. Proposal

The participants in the activity (public and/or private entities) submit a notification to the UNFCCC of their intention to seek registration, detailing their prior consideration of the benefits of the mechanism in relation to the activity. They must also submit a project or programme of activity design document in line with the standards and methodologies approved by the SBM, including an analysis of the environmental, social and sustainable development impacts of the proposed project.

## 2. Local and global stakeholder consultation

Stakeholder consultation are required for all projects under the PACM (Article 6.4 activity standard for projects – [version 3.0](#)). The consultation must be undertaken by project participants at local and sub-national level if needed for every proposed project, ensuring representatives of local communities, indigenous peoples and directly affected local authorities be invited to participate, allowing them to analyse and comment on the proposed project. Project participants are then required to summarise the comments and explain how these were considered in their project documentation, providing justification for any not included.

Once the consultation completed, stakeholders finding their input not properly addressed may submit complaints to the host Party's designated national authority. These complaints must be taken into account before the project validation is concluded. Even after project registration, continuous engagement of stakeholders is required, thus project participants must keep a channel for stakeholders to comment in the implementation and operation throughout the crediting period, reviewing and addressing comments and reporting on how these were addressed in their monitoring reports.

## 3. Approval and Authorisation

The host country must provide formal approval of the activity, confirming sustainable development benefits, NDC contribution, and crediting period terms. The host country must also authorise the activity's participants and specify the authorisation status for A6.4ERs, namely whether it authorises A6.4ERs and their authorised uses, or whether it allows MCUs to be issued while noting that it may authorise them at a later stage.

## 4. Validation and Registration

A Designated Operational Entity (**DOE**), i.e. an accredited and independent auditor, assesses compliance against established requirements. Where an activity complies, the DOE validates the activity and requests the SBM to register it. In turn, when the SBM decides that the validation and its outcome meet relevant requirements, it registers the activity.

## 5. Monitoring, verification and certification

Once the activity registered, participants implement the activity and monitor emission reductions/removals and potential reversals. A DOE then verifies the emission reductions and certifies compliance with relevant requirements.

The DOE requests the SBM to issue the A6.4ERs. The SBM decides whether the outcome of the verification and certification meets relevant requirements. If the requirements are met, it approves the issuance of A6.4ERs.

## 6. Issuance

The mechanism registry administrator (the UNFCCC secretariat) issues A6.4ERs into the mechanism registry with a clear distinction between A6.4ERs and MCUs and specifying the uses for which the A6.4ERs are authorised. An interim registry has been launched.

## 7. Post-Issuance

At the end of the crediting period, if the host country pre-approved the renewal of a crediting period, the DOE undertakes a technical assessment. If the outcome of the assessment finds the activity's renewal to comply with relevant requirements, the SBM and the host country approve the renewal.

## Share of proceeds for administrative expenses and adaptation

Various fees are payable by activity participants across the activity cycle to cover administrative costs: inclusion, issuance, renewal and post-registration fees. For further details see paragraphs 50–59, Annex I, [Decision 7/CMA.4](#). All these fees are waived for activities in the Least Developed Countries (LDCs) and Small Island Developing States (SIDS).

In addition, at the issuance of A6.4ERs, the mechanism registry administrator levies 5% of the A6.4ERs for the share of proceeds to assist developing countries for adaptation, delivered to the Adaptation Fund and another share of proceeds cover administrative expenses. Participating Parties under a cooperative approach under Article 6.2 have the option to also require a levy of the share of proceeds for adaptation as well as cancellation of ITMOs to deliver OMGE. In the case of A6.4ERs, the host country shall apply a corresponding adjustment to the 5% levied for share of proceeds. [Decision 6/CMA.6](#), para 20 grants an exemption from the share of proceeds for adaptation for activities in LDCs and SIDS. LDCs and SIDS can choose to use this exemption or not.

The mechanism registry administrator cancels a minimum of 2% of issued A6.4ERs to deliver “overall mitigation in global emissions” (OMGE). This cancellation reflects that offsetting alone does not result in net emission reductions. No corresponding adjustment is applied to these cancelled units, as they are not used towards any Party’s NDC. The administrator then transfers the remaining issued A6.4ERs in accordance with the instructions of the activity participants. For A6.4ERs that are first transferred for international use, the host Party must apply a corresponding adjustment.

## Appeal and grievance procedure

The SBM established an appeal and grievance procedure on 2 May 2024, as mandated in [Decision 3/CMA.3](#) (Annex, para 62). According to the appeal procedure, Stakeholders, activity participants and participating Parties can appeal decisions of the SBM.

Regarding the grievance procedure, grievants may be individuals, communities or organisations that are directly or potentially adversely affected by a registered Article 6.4 activity and must demonstrate a connection to the jurisdiction where the activity is implemented, a substantial presence in the affected geographic area; and a concrete, tangible and particularised claim of harm to health, property, the local environment or other interest. The adverse effect must be a direct consequence of the implementation or treatment of such an activity.

The procedure is intended to be legitimate, accessible, predictable, equitable and transparent, and must be revised according to experience and stakeholder input. For more detail, please see LRI [advice](#). The procedure is initiated by the submission of a grievance form through a dedicated interface on the UNFCCC website. The secretariat then reviews the submission for completeness, and if so, appoints a panel of three independent experts to review the grievance. If the panel finds the grievance eligible, it is published on the UNFCCC’s website.

Thereafter, it considers the case and must issue recommendations or reject the grievance within 14 days of publication.

The outcome is published on the UNFCCC website and communicated to the relevant Parties. In the case recommendations are given to a national authority, the secretariat will follow up three months later to enquire about actions taken based on the recommendations and report back to the SBM as well as publish the outcome of the enquiry on the UNFCCC website. For more information, see the SBM’s [procedure for appeal and grievance processes](#).

## CDM Transition

The CDM is being phased out and superseded by the Article 6.4 mechanism or PACM. There are specific rules and requirements for units and activities from the CDM to transition to the PACM.

Eligible CDM activities, including those with an active crediting period on 1 January 2021 or provisionally registered/reviewed, can request transition. The deadline to request transition of CDM activities to the PACM was 31 December 2023. This was extended to 31 December 2025 for afforestation and reforestation activities, provided that the request for transition is both submitted and approved by then.

Eligible CDM activities may submit a transition request to the UNFCCC Secretariat, which reviews the request and makes it publicly available. The host Party then submits its approval to the SBM through the Designated National Authority. This must be done by 30 June 2026, as agreed at CMA 7. Transitioned activities must meet Article 6.4 requirements, including considerations of non-permanence risk, the environmental and social impacts of the activity, and requirements under the Environmental and social safeguards.

At CMA 7, Parties agreed to transfer \$26.8 million from the Clean Development Mechanism trust fund to the Article 6.4 fund, with up to \$5 million supporting capacity-building initiatives. Once the PACM is fully operationalised and self-financed, it will be able to contribute to the Adaptation Fund, with transfers expecting to start by 2035.





## Implementation of carbon market mechanism

Whether to engage in carbon markets should be part of a country's strategic long-term decisions. If it chooses to do so, it will have to develop regulatory and institutional frameworks as well as infrastructure. This in turn requires time and capacity.

Many developing countries are leveraging capacity-building programmes, for example, to establish robust carbon registries and align ITMO authorisation processes with standardised templates.

A country's implementation of Article 6 carbon markets is supported by:

- legal and regulatory frameworks aligned with Article 6 requirements;
- clear governance structure for ITMO authorisation;
- a registry system to issue, track and record ITMOs;
- procedures for accounting requirements, inc. corresponding adjustments;
- technical capacity within relevant government ministries;
- inter-ministerial coordination mechanisms;
- transparent reporting mechanisms aligned with UNFCCC requirements; and
- the participation of the private sector, through clear rules for its involvement and dedicated capacity-building.



Countries with established **REDD+ frameworks** are exploring pathways to integrate these forest conservation efforts into the Article 6 carbon markets, potentially building upon existing monitoring systems and institutional arrangements. This intersection requires addressing methodological considerations around permanence, leakage, and safeguards.

## CHALLENGES AND CRITICISMS

Carbon markets face several challenges. They have attracted criticism for allowing wealthy countries to maintain high-emission lifestyles and outsource climate action by purchasing offsets rather than reducing domestic emissions. This is described by some as a form of "**carbon colonialism**", perpetuating North – South power imbalances that can sideline local community needs and control their land use and development pathways.<sup>[3]</sup>

[3] <https://atmos.earth/where-global-north-sends-its-carbon-emissions/>;  
<https://www.cetri.be/Carbon-markets-and-the-new?lang=fr>,

**Double-counting remains a concern:** double-counting can occur through double claiming, where a country sells a credit but does not adjust its inventory accordingly, leading to both the country and buyer claim the emission reduction. Double-counting can also come from an authorisation gap, where the voluntary carbon market (**VCM**), which operates outside Article 6's jurisdiction, creating potential double-counting risks through unregulated private schemes. For example, if a company buys a credit without a corresponding adjustment and the host country might still count that reduction towards its NDCs, leading to double counting. Against this, the Article 6 regulation exercises a certain "pull factor" on the VCM, as it is backed by progressive private standards as well as by domestic regulatory pressures, so it is expected that a significant portion of the VCM will over time "opt in" to the Article 6 system.

Double issuance can also emerge if projects that are registered in multiple registries. In addition, the "averaging" methodology for countries with single-year NDC targets creates an accounting loophole that can lead to double-counting. Indeed, a country sells all its credits in the final year of the NDC period, it would not be required to apply corresponding adjustments to all the credits, as the averaging approach allows it to apply corresponding adjustments based on the average number of credits sold, leaving some credits unaccounted for and thus double counted.

Finally, **equity and participation** barriers disproportionately affect vulnerable nations. LDCs and SIDS often lack the "enabling environment" – technical expertise, human and financial resources, infrastructure, legal and institutional frameworks, etc. to become a player in these markets.

## THE ROAD AHEAD

### Article 6.2

- The guidance will be reviewed in 2028.
- In the meantime, **CMA 6** requested the secretariat to organise a dialogue to exchange information and experience on how Article 6.2 supports ambition, to be convened in conjunction with each session of the Subsidiary Body for Implementation (**SBI**), ensuring non-Party stakeholders' participation (Article 6.2 Ambition Dialogue).
- The inaugural Article 6.2 Ambition Dialogue was held during SBI 62. Findings include that Article 6.2 activities were facilitated through demand, enhanced standardisation, trust built between partner countries and a robust compliance market. Remaining challenges include methodological and resource constraints such as the need for standards for these activities, increased NDC clarity over how to include these standards and ensure they represent additional emission reductions, project implementation difficulties and lack of confidence in credits.
- At SBI 63, the Article 6.2 Ambition Dialogue held another session.
- COP 30/ CMA 7 requested the SBI 64 (June 2026) to recommend a long-term resource allocation plan for the infrastructure, experts, and capacity building required to implement Article 6.2 markets.

## Article 6.4

- Since its establishment, and upon recommendation of the Article 6.4 Methodological Expert Panel (**MEP**), SBM adopted standards to support the effective implementation of the PACM:
  - a standard for estimating the baseline, which encompasses the emissions that would have happened without a project under the mechanism;
  - a leakage standard that concerns the unintended increases in emissions which may occur as a result of a project; and
  - a standard on suppressed demand, which allows for more inclusive climate action in regions that have limited access to basic services, including water and sanitation, thereby addressing sustainable development concerns too.
  - a standard addressing non-permanence/reversals; and
  - a tool on common practice analysis.
- **CMA 7** requested the Supervisory Body to broaden and communicate engagement opportunities to ensure the participation of a range of stakeholders — particularly Indigenous Peoples and local communities — and to facilitate more inclusive public consultations ahead of its next annual report.
- CMA 7 also Preserved the decision-making autonomy of the Supervisory Body and reaffirmed that future rules must ensure high environmental integrity and be based on the best available science.
- The deadline for host countries to submit approval for transitioning CDM activities to the PACM was extended to June 30, 2026, considering the volume of pending requests.

### Carbon markets in the NDCs 3.0



The 2025 synthesis report published by the secretariat in October 2025 considered the new NDCs of 64 countries (it did not include the 30 NDCs that were submitted passed the deadline). The report notes an increase in Parties intending to participate in voluntary cooperation under Article 6 with the aim to reaching their climate targets. Indeed, 89% of them communicated they plan to or may use at least one of the voluntary cooperation mechanisms under Article 6, with 72% explicitly mentioning the use of ITMOs.

The synthesis report also finds 5% of the countries having submitted their NDC intend to use voluntary cooperation to achieve conditional elements of their mitigation targets and 3% have set quantitative goals for the extent of use of voluntary cooperation for achieving their mitigation targets. Regarding institutional arrangements, 17% have provided information on laws or policies that create such mitigation mechanisms, including national carbon markets, carbon budgets and carbon trading schemes.

Mechanisms under Article 6 of the Paris Agreement were also mentioned in 53% of the NDCs studies as a significant financial instrument to mobilise financial resources or attracting investment to support NDC implementation.

Supported by:



Federal Ministry  
for the Environment, Climate Action,  
Nature Conservation and Nuclear Safety



INTERNATIONAL  
CLIMATE  
INITIATIVE

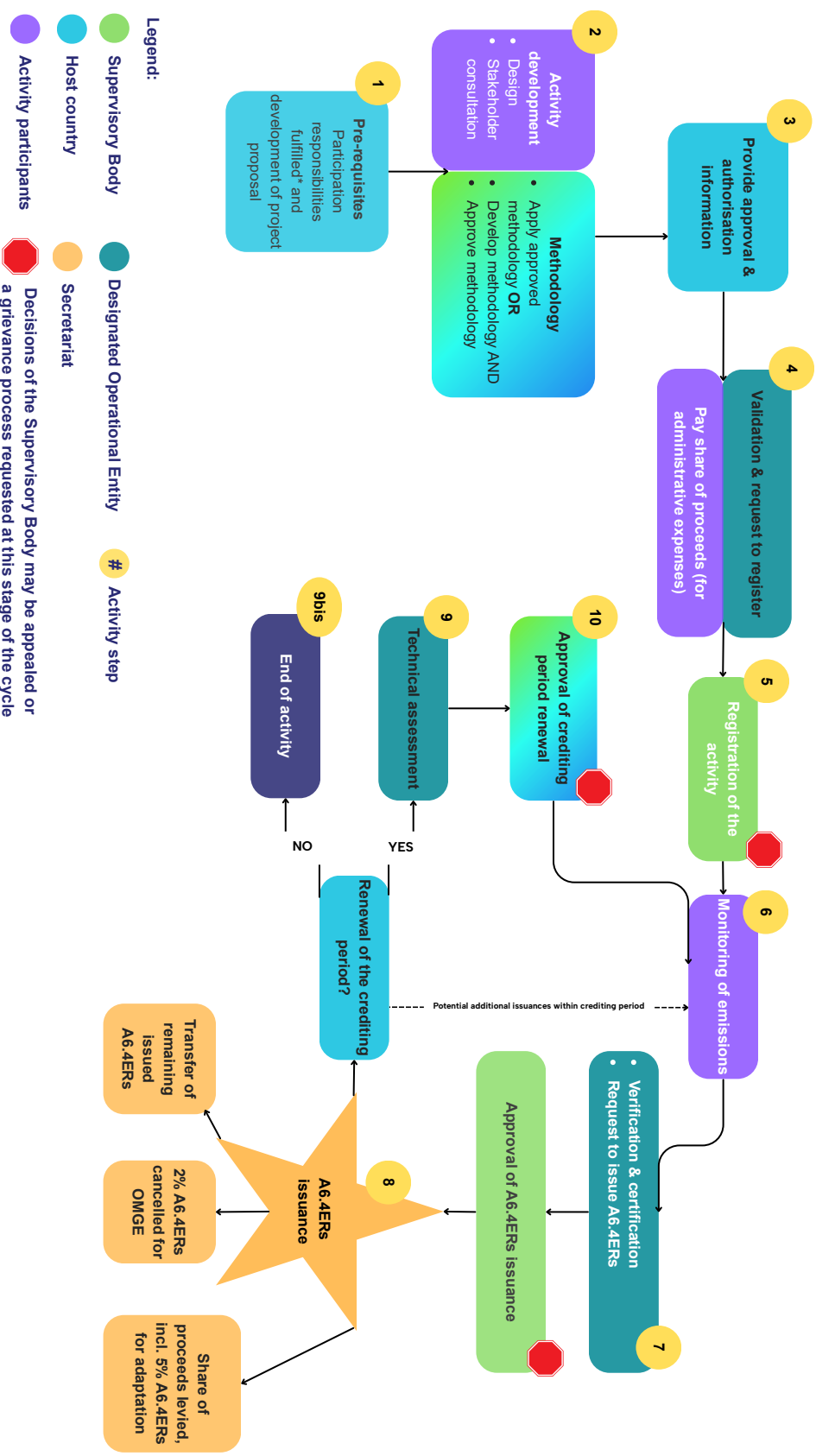
based on a decision of  
the German Bundestag

This document is part of a project that is supported by the International Climate Initiative (IKI) of the Federal Government of Germany. Within the Federal Government, the IKI is anchored in the Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN).



**Legal Response International**  
c/o Simmons & Simmons, CityPoint,  
One Ropemaker St, London EC2Y 9SS, UK  
enquiries@legalresponse.org - www.legalresponse.org  
Registered in England and Wales,  
company no. 07385563, charity no. 1147043

# Article 6.4 activity cycle and responsible entities



The special circumstances of LDCs and SIDS shall be recognised where these rules, modalities and procedures relate to NDCs. Simplified approaches with respect to methodologies may be applied by the Supervisory Body. Future decisions of the CMA may recognise other aspects of their special circumstances.